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Craig Allen Nard
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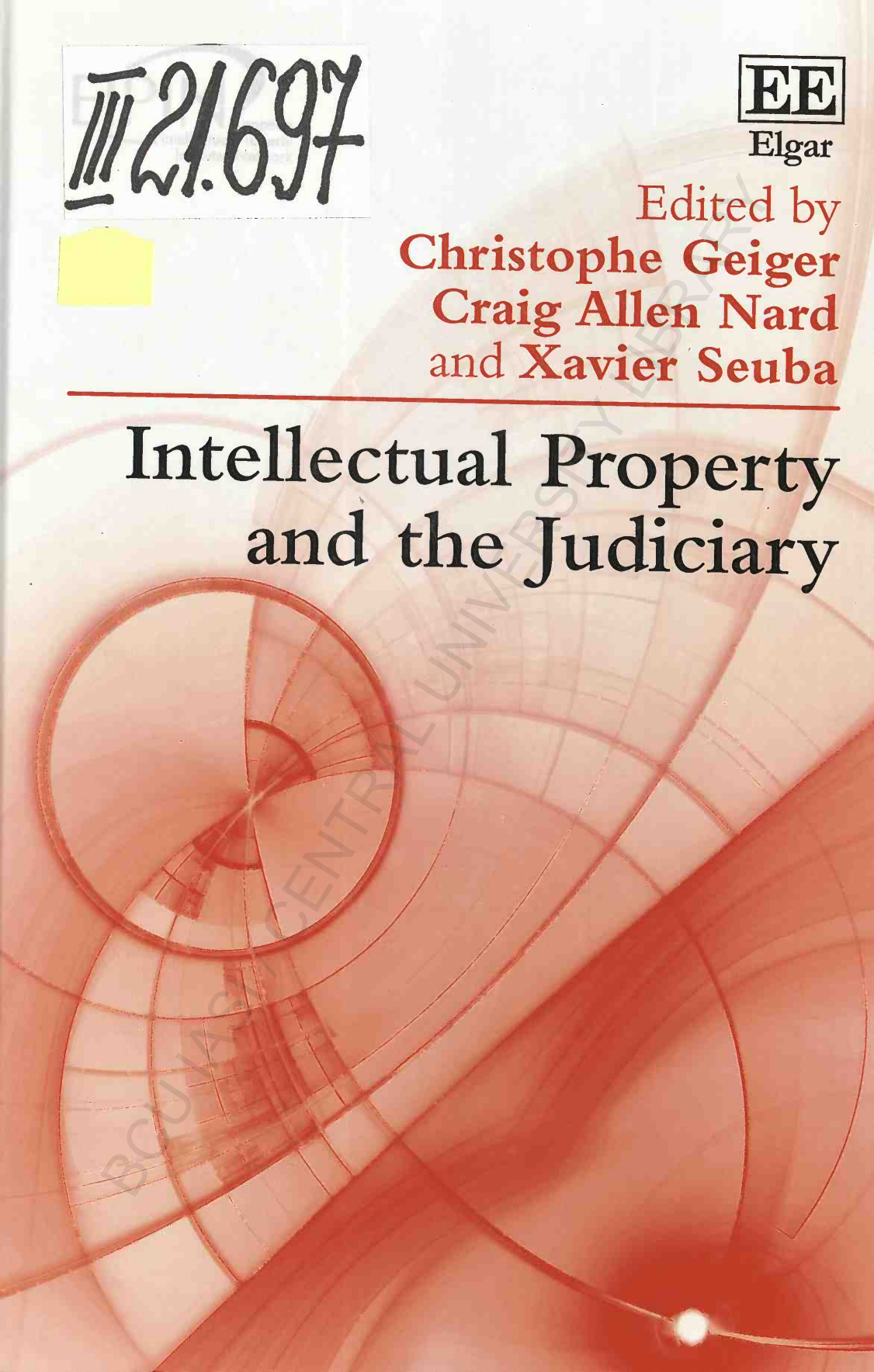
Intellectual Property and the Judiciary



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Intellectual Property and the Judiciary

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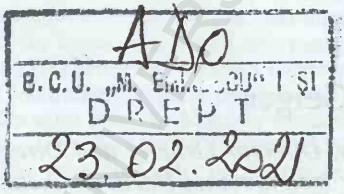

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Abbreviations

AB	Appellate Body
AC	Administrative Council
ACISD	Advisory Center on Investor-State Disputes
ACWL	Advisory Centre on WTO Law
ADR	Alternative dispute resolution
AIA	America Invents Act
AIPLA	American Intellectual Property Law Association
ALJ	Administrative law judge
ANVISA	Brazilian National Health Surveillance Agency
ASEAN	Association of Southeast Asian Nations
AUPC	Agreement on a Unified Patent Court
BA/BoA	Boards of Appeal
BIT	Bilateral investment treaty
BR	Basic Regulation
CAFC	US Court of Appeals of Federal Circuit
CEIPI	Center for International Intellectual Property Studies
CIPA	Chartered Institute of Patent Attorneys
CJ	Court of Justice
CJEU	Court of Justice of the European Union
CoE	Council of Europe
COM	European Commission
COPAC	Community Patent Appeal Court Common to Contracting States
CPC	Community Patent Convention
CPR	Community Patent Regulation
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CPVO	Community Plant Variety Office

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CPVR	Community Plant Variety Right
DG	Directorate General
DOE	Doctrine of Equivalents
DS	Dispute settlement
DSB	Dispute Settlement Body
DSU	Dispute Settlement Understanding
DUS	Distinctness, uniformity and stability
EBA/EBoA	Enlarged Board of Appeal
EC	European Community
ECHR	European Convention on Human Rights
ECJ	European Court of Justice
ECommHR	European Commission of Human Rights
ECPC	European and Community Patents Court
ECtHR	European Court of Human Rights
EEA	European Economic Area
EEC	European Economic Community
EFTA	European Free Trade Association
EIPIN	European Intellectual Property Institutes Network
EIPR	European Intellectual Property Review
EPAs	Economic Partnerships
EPC	European Patent Convention
EPJ	European Patent Judiciary
EPLA	European Patent Litigation Agreement
EPO	European Patent Office
EU	European Union
EUIPO	European Union Intellectual Property Office (formerly known as OHIM)
EUTMR	European Trade Mark Regulation
EWCA	Court of Appeal for England and Wales
FCTC	Framework Convention on Tobacco Control
FDI	Foreign direct investment
FOSS	Free and Open Source Software
FRAND	Fair, reasonable and non-discriminatory declaration

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FTAs	Free trade agreements
GATT	General Agreement on Tariffs and Trade
GC	General Court
GDP	Gross Domestic Product
GI	Geographical indication
GINT	Grundig International
HRs	Human rights
ICSID	International Centre for Settlement of Investment Disputes
ICTSD	International Centre for Trade and Sustainable Development
IIPI	International Intellectual Property Institute
ILC	International Law Commission
ILO	International Labour Organization
IP	Intellectual property
IPLA	Intellectual Property Law Association
IPO	Intellectual Property Owners Association
IPR	Intellectual property rights
ISDS	Investor-state dispute settlement
ISP	Internet service provider
ITC	International Trade Commission
JPAA	Japan Patent Attorneys Association
JPO	Japan Patent Office
MAS	Mutually agreed solution
METI	Ministry of Economy, Trade and Industry
MFN	Most-favoured nation
NAFTA	North American Free Trade Agreement
NGO	Non-governmental organisation
NIPO	Norwegian Industrial Property Office
NPE	Non-practicing entity
OHIM	Office for Harmonization in the Internal Market
OSIM	National Trademark and Patent Office of Romania
P2P	Peer-to-peer
PPI	Protocol on Privileges and Immunities

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PTAB	Patent Trial and Appeal Board
PTO	Patent and Trademark Office
QAS	Quality audit service
RCEP	Regional Comprehensive Economic Partnership
RCO	Romanian Copyright Office
RFC	Request for consultations only
RoP	Rules of Procedure
RPBA	Rules of Procedure of the Boards of Appeal
SCJ	Statute of the Court of Justice
SIPJ	Specialized Intellectual Property Jurisdiction
SPC	Supplementary Protection Certificate
SUPC	Statute of the Unified Patent Court
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union
TP	Technical Protocol
TPB	'The Pirate Bay' file-sharing service
TP CDH	Travaux Préparatoires to the Convention
TPP	Trans-Pacific Partnership
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TTIP	Transatlantic Trade and Investment Partnership
UDHR	Universal Declaration of Human Rights
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNTS	United Nations Treaty Series
UPC	Unified Patent Court
UPCA	Unified Patent Court Agreement
UPCS	Statute of the Unified Patent Court
UPOV Convention	International Convention for the Protection of New Varieties of Plants
USITC	United States International Trade Commission
USPTO	United States Patent and Trademark Office
USTR	Office of the US Trade Representative
VCLT	Vienna Convention on the Law of Treaties
WIPO	World Intellectual Property Organization

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WPL	Working Party on Litigation
WTO	World Trade Organization

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Introduction

Christophe Geiger, Craig Allen Nard and Xavier Seuba

Intellectual property adjudication is at the heart of contemporary efforts for the development and modernisation of intellectual property regimes at the national, regional and international level. There are numerous signs of maturity of intellectual property enforcement, many of them involving the judiciary. Signs of progress include both judicial specialisation and the blooming of international intellectual property dispute settlement bodies. They include advances as well that go beyond institutional aspects.[1] Think for instance about the development of particularly crafted procedural rules to settle intellectual property disputes, or the cases of the specialisation developed over time with respect to evidence and measures for the preservation of evidence, the criteria specifically developed for the award of damages with respect to intellectual property disputes or, still, the adjustment of the conditions for the granting of injunctions when they impact intellectual property rights.

Naturally, there is no expansion without tension and no progress without challenges. This is precisely the reason why scholars, legal experts and practitioners feel excited about legal change and normative development. One tends to forget, however, that legal change also impacts those who have the last say over intellectual property disputes or, rephrasing Judge Robert H. Jackson, those who are not final because they are infallible, but are infallible only because they are final.[2]

[1] On the institutional environment for enforcement at international level, see 'Rethinking International Intellectual Property Law: What Institutional Environment for the Development and Enforcement of IP Law?', CEIPI-ICTSD Publication Series on Global Perspectives and Challenges for the Intellectual Property System, Issue 1, Geneva/Strasbourg, November 2015, available at <http://www.ceipi.edu/fileadmin/upload/DUN/CEIPI/Documents/Publications_CEIPI___ICTSD/CEIPI-ICTSD_no_1.pdf>.

[2] *Brown v. Allen*, 344 U.S. 443, 540 (1953).

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In a dynamic and ever-evolving field such as intellectual property law, judges are frequently confronted with challenges arising from technical complexity and ethical dilemmas. Judges will be the first to decide with respect to unexplored areas and matters of dispute, frequently involving significant social, economic, scientific and ethical consequences.[3] Moreover, challenges for judges do arise from systemic aspects. Take for instance the case of jurisdictional overlaps impacting intellectual property protection, or the phenomenon of transplantation of intellectual property enforcement norms. Diverging comparative jurisprudence may not be, thus, just a matter of different legal opinions, but may also respond to systemic determinants.[4]

Whether judges welcome these challenges is unknown to us. Certainly, it may be advisable to leave this inquiry unanswered, to preserve the discreteness and some sort of mystery that characterises the judicial profession. However, what is clear is that at the end of the day judges must decide. They must adjudicate the cases that fall on their desks and, in doing so, they must address the aforementioned difficulties and challenges. In this context, it is an opportune time to underline that intellectual property enforcement is a dynamic activity rather than a mechanical operation. Enforcement does not evoke a pre-established set of things or a final situation. By contrast, enforcement is a process of weighing and balancing rights and interests, and in this process judges play a prominent role.[5]

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[3] See Ch Geiger, 'The Social Function of Intellectual Property Rights, Or How Ethics Can Influence the Shape and Use of IP Law', in G. B. Dinwoodie (ed.), *Methods and Perspectives in Intellectual Property*, 153 (Cheltenham, UK/ Northampton, MA, Edward Elgar Publishing, 2013), underlining that the judiciary is the implementer of the social function of intellectual property law and explaining how courts can make use of ethical principles when deciding IP disputes. Copyright law is an area particularly affected by constant technological, social and economic change and it is thus not surprising that its enforcement has been particularly sensitive and difficult in recent years, see Ch Geiger, 'Challenges for the Enforcement of Copyright in the Online World: Time for a New Approach', in P. Torremans (ed.), *Research Handbook on the Cross-Border Enforcement of Intellectual Property*, 704 (Cheltenham, UK / Northampton, MA, Edward Elgar Publishing, 2014).

[4] On the challenges of comparative analysis within intellectual property (IP), including legal transplants, see I. Calboli, 'The Role of Comparative Legal Analysis in Intellectual Property Law: From Good to Great', in G. B. Dinwoodie (ed.), *Methods and Perspectives in Intellectual Property*, op. cit., at 3 *et seq.*

[5] See Ch Geiger, J. Raynard and C. Rodà, 'What Developments for the European Framework on Enforcement of Intellectual Property Rights? A Comment on the Evaluation Report of the European Commission dated 22 December 2010', (2011) European Intellectual Property Review (EIPR) 543, emphasising

Intellectual property is a kaleidoscope of social, legal and economic interests and actors.[6] Putting them together and delivering a socially relevant contribution depends on a fine balancing exercise.

The *eBay, Inc., v. MercExchange* litigation is a good case in point. In *eBay*, the Supreme Court of the United States differentiated 'the creation of a right' from 'the provision of remedies for violations of that right'. This apparently trivial observation was, however, the basis to assess the relevance of the public interest when granting an injunction, and reverse the practice of granting injunctions automatically once a patent infringement had been found. The court emphasised that 'flexibility rather than rigidity has distinguished [equity]. The qualities of mercy and practicality have made equity the instrument for nice adjustment and reconciliation between the public interest and private needs as well as between competing private claims.'[7]

In this dynamic context, when enforcing intellectual property rights, other norms and principles, including values and legal interests found in other branches of the law, come into play.[8] Under this background, it seems fair to compare the work of a judge with that of a potter, who moulds the clay by measuring the ingredients and adjusting the velocity of the wheel, as the judge drafts her sentences by taking into consideration all relevant facts and laws, in light of secondary norms of interpretation and adjudication.

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that an appropriate legal framework in terms of enforcement 'necessarily involves a fair balance between the implementation of effective protection rules for intellectual property rights and the respect of the freedom of competition, of trade and industry, as well as fundamental rights. The procedures, measures and compensation introduced in order to combat counterfeiting effectively should thus take into account other competing rights such as the right to a fair trial, the right to the respect of privacy and freedom of expression.'

[6] See in this sense for patent law C. A. Nard, 'Patent Law's Institutional Players', in Rethinking International Intellectual Property Law: What Institutional Environment for the Development and Enforcement of IP Law?, op. cit., 71, stating that 'courts are comparatively in the best position to make and develop patent law and policy' ... and 'suggesting that the nature of the judicial institution better positions the judge to engage patent law's most important doctrines in a manner that is more consistent with the technologic communities that come before him'.

[7] *eBay, Inc., v. MercExchange, LLC*, 126 S.Ct. 1837 (2006), at 1840.

[8] X. Seuba, *The Global Regime for the Enforcement of Intellectual Property Rights*, 8 (Cambridge, Cambridge University Press 2017).

In addition to dynamism and flexibility, specialisation of the judiciary has become highly relevant in contemporary intellectual property litigation.[9] How specialisation is realised offers various and heterogeneous responses.[10] For instance, in some cases, already existing tribunals have become specialised by concentrating intellectual property cases under their sole jurisdiction. In other cases, new courts have been set up at the regional and national level to solely address intellectual property disputes.

Some courts may have jurisdiction over controversies related to all categories of intellectual property rights, while other courts address disputes concerning discrete intellectual property categories. Specialised dispute settlement bodies already exist, indeed, for patents, trademarks, copyrights and even plant varieties. In addition to specialisation that results from focusing only on certain intellectual property categories, intellectual property courts may have jurisdiction over either all types of disputes or just specific intellectual disputes. For example, some patent courts may rule only on the validity of patents, while other courts may decide both on infringement and validity.[11] Still, differences may derive from the hierarchy of the courts. In this respect, some judicial bodies with the primary mission to judge intellectual property disputes are first instance courts, others are second instance courts and still others are fully fledged tribunals, capable of deciding not only on first instance cases, but also appeals. Finally, while most specialised courts decide only on civil and border enforcement disputes, other courts may also rule on criminal matters related to intellectual property infringement.[12]

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[9] See on this issue in the context of the European Union, X. Seuba, Ch Geiger and L. Lu, 'The Evaluation and Modernisation of the Legal Framework for the Enforcement of Intellectual Property Rights. Comments of the CEIPI on the EU Commission's Public Consultation of December 2015, with a Focus on the Issue of Specialization of IP Courts', May 2016, Centre for International Intellectual Property Studies (CEIPI) Research Paper No. 2015-03, available at SSRN <https://ssrn.com/abstract=2966839>.

[10] See in detail J. de Werra, in Specialised Intellectual Property Courts – Issues and Challenges, CEIPI-ICTSD Global Perspectives and Challenges for the Intellectual Property System, Issue 2, Geneva / Strasbourg, March 2016, p. 15 *et seq.*, available at <http://www.ceipi.edu/fileadmin/upload/DUN/CEIPI/Documents/Publications_CEIPI___ICTSD/CEIPI_ICTSD_N__2.pdf>.

[11] For a comparative analysis on the enforcement of patents, see C. A. Nard, *The Law of Patents*, 4th ed., 498–500 (New York, Wolters Kluwer Law Business, 2016), in particular the chapter 'Enforcing Patent Rights'.

[12] X. Seuba, 'Introduction', in J. de Werra et al., Specialised Intellectual Property Courts – Issues and Challenges, op. cit., 11. On the issue of criminal

Intellectual Property and the Judiciary provides a comprehensive picture of judicial specialisation in the area of intellectual property. Edited chapters capture not only regional and national experiences, but also global dynamics. In this regard, and with the objective of offering a comprehensive picture, this book pays attention to international dispute settlement bodies, human rights tribunals and arbitration panels, as well as specialised national courts and phenomena like technical specialisation. *Intellectual Property and the Judiciary* explores the role of the judiciary in the elaboration and implementation of intellectual property law, looking at the way intellectual property norms are applied in different court systems, be it in general or in specialised intellectual property courts and quasi-judicial bodies. The objective is to draw conclusions on the optimal design of the judiciary as well as on the training of members of intellectual property courts.

Intellectual Property and the Judiciary mostly compiles the chapters submitted by speakers of the conference of the European Intellectual Property Institutes Network (EIPIN) jointly hosted by the Center for International Intellectual Property Studies (CEIPI) of the University of Strasbourg and the Spangenberg Center for Law, Technology & the Arts, Case Western Reserve University School of Law, held 29 and 30 January 2016. On that occasion, CEIPI and the Spangenberg Center put together a roster of highly renowned speakers with very different backgrounds. Judges, international arbitrators, scholars and international public servants allowed us dig into the rich and complex relationship between dispute settlement and intellectual property. The reflection started in that conference has continued and informed the present volume.

The book is structured in three parts. In the first part, reflection on intellectual property and European courts is organised in three sections, touching upon intellectual property in front of the European Court of Human Rights (with chapters drafted by Christophe Geiger and Elena Izyumenko, and Aurora Plomer) and the relationship between copyright and human right to property before the European and international courts (with a chapter drafted by Thomas Cottier), intellectual property and the Court of Justice of the European Union (contributions by Jonathan Griffiths, Alain Strowel and Vincent Cassiers, and Stefan Lugienbuehl and Teodora Kandeva), the Unified Patent Court (with chapters drafted by Jens Schovsbo and Clement Salung Petersen, Sam Granata, and

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enforcement in particular, see Ch Geiger (ed.), *Criminal Enforcement of Intellectual Property: A Handbook of Contemporary Research* (Cheltenham, UK/ Northampton, MA, Edward Elgar Publishing, 2012).

Xavier Seuba) and intellectual property and European quasi-judicial bodies (with contributions by Cees Mulder and Marcus O. Müller, Martin Ekvad, Gert Würtenberger, Stefan Martin and Alexander von Mühlendahl). The second part is devoted to American and Japanese courts and intellectual property adjudication. This part consists of chapters drafted by Kathleen O'Malley and Barbara Lynn, Toshiko Takenaka and Craig Nard. Finally, the last part is divided into chapters drafted by Susy Frankel, Peter Yu and Daniel Gervais who reflect on international intellectual property adjudication.

This work could not have been possible without the contribution of many people. First, naturally, the speakers in the conference and the contributors to this book. Second, all the EIPIN partners and in particular their representatives who chaired the panels and contributed to the success of the conference. And, last but not the least, Ms Tamar Khuchua, Researcher at CEIPI, who has carried out a tremendous job in the editing phase of the book.

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PART I

Intellectual property and European courts

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Section 1 Intellectual Property and the European Court of Human Rights

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1. Intellectual property before the European Court of Human Rights

Christophe Geiger and Elena Izyumenko*

INTRODUCTION

In the past years, the impact of human rights (HRs) on intellectual property (IP) law has increased significantly, both in Europe and elsewhere, leading to what has sometimes been called the 'constitutionalization' of the entire legal system.[1] In the European Union, important developments such as the entering into force of the Treaty of Lisbon[2] placed human rights and fundamental freedoms at the very top of the hierarchy of norms;[3] since then, there has been a considerable rise in use of human rights arguments in the decisions of the Court of Justice of the

* The case law and other developments discussed in this article are current to June 2018.

[1] For further discussion, see Ch Geiger, '"Constitutionalizing" Intellectual Property Law? The Influence of Fundamental Rights on Intellectual Property in Europe' (2006) 37(4) IIC 371; T Mylly, 'The Constitutionalization of the European Legal Order: Impact of Human Rights on Intellectual Property in the EU', in Ch Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Cheltenham, UK / Northampton, MA, Edward Elgar Publishing, 2015) 103; J Schovsbo, 'Constitutional Foundations and Constitutionalization of IP Law – A Tale of Different Stories?' (2015) 7(4) Zeitschrift für Geistiges Eigentum/Intellectual Property Journal 383.

[2] European Union, *Treaty of Lisbon Amending the Treaty on European Union and the Treaty Establishing the European Community*, 13 December 2007, OJ 2007/C 306/01 of 17 December 2007.

[3] On the consequences for intellectual property, see Ch Geiger, '"Intellectual Property" after the Treaty of Lisbon: Towards a Different Approach in the New European Legal Order?' (2010) 32(6) EIPR 255; Ch Geiger, 'The Construction of Intellectual Property in the European Union: Searching for Coherence', in Ch Geiger (ed.), *Constructing European Intellectual Property: Achievements and New Perspectives* (EIPIN Series, Vol. 1, Cheltenham, UK/Northampton, MA, Edward Elgar Publishing, 2013) 5.

European Union (CJEU, or Luxemburg Court),[4] and the imminent accession of the EU to the European Convention on Human Rights (ECHR)[5] is likely to only amplify this phenomenon.

The growth in importance of human rights goes hand in hand with a rising consensus that the global economy needs to be regulated in a more balanced way in order to secure basic ethical principles and the most fundamental values of society.[6]

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[4] To name just a few examples, in the field of copyright and related rights: CJEU, Judgment in *Mc Fadden*, C-484/14, 15 September 2016, EU:C:2016:689; CJEU, Judgment in *GS Media*, C-160/15, 8 September 2016, EU:C:2016:644; CJEU, Judgment in *Deckmyn*, C-201/13, 3 September 2014, EU:C:2014:2132; CJEU, Judgment in UPC *Telekabel Wien*, C-314/12, 27 March 2014, EU:C:2014:192; CJEU, Judgment in *SABAM v. Netlog*, C-360/10, 16 February 2012, EU:C:2012:85; CJEU, Judgment in *Luksan*, C-277/10, 9 February 2012, EU:C:2012:65; CJEU, Judgment in *Painer*, C-145/10, 1 December 2011, EU:C:2011:798; CJEU, Judgment in *Scarlet Extended*, C-70/10, 24 November 2011, EU:C:2011:771; ECJ, Judgment in *Promusicae*, C-275/06, 29 January 2008, EU:C:2008:54. In the field of trademarks: CJEU, Judgment in *Coty Germany*, C-580/13, 16 July 2015, EU:C:2015:485; CJEU, Judgment in *Schwerdt v. OHIM – Iberamigo (cat&clean)*, T-587/13, 21 January 2015, EU:T:2015:37; CJEU, Judgment in *ALPHAREN*, T-106/12, 3 July 2013, EU:T:2013:340; CJEU, Judgment in *XXXLutz Marken v. OHIM*, T-542/10, 13 June 2012, EU:T:2012:294; CJEU, Judgment in *PAKI*, T-526/09, 5 October 2011, EU:T:2011:564; CJEU, Judgment in *Couture Tech Ltd*, T-232/10, 20 September 2011, EU:T:2011:498. In the field of patents: CJEU, Judgment in *Huawei Technologies*, C-170/13, 16 July 2015, EU:C:2015:477; CJEU, Judgment in *Spain v. Council*, C-147/13, 5 May 2015, EU:C:2015:299; CJEU, Judgment in *Brüstle*, C-34/10, 18 October 2011, EU:C:2011:669; ECJ, Judgment in *Hässle*, C-127/00, 11 December 2003, EU:C:2003:661; ECJ, Judgment in *Netherlands v. Parliament and Council*, C-377/98, 9 October 2001, EU:C:2001:523.

[5] See Article 6(2) TEU as amended by Article 1(8) of the Treaty of Lisbon; and Article 59(2) ECHR as amended by Article 17 of Protocol No. 14 to the ECHR. Although the CJEU rejected the latest draft agreement of EU accession to the ECHR (Opinion 2/13 of 18 December 2014, EU:C:2014:2454), this only delayed the accession, which remains binding on the EU.

[6] Ch Geiger, 'The Social Function of Intellectual Property Rights, or how Ethics Can Influence the Shape and Use of IP Law', in G B Dinwoodie (ed.), *Methods and Perspectives in Intellectual Property* (Cheltenham, UK / Northampton, MA, Edward Elgar Publishing, 2013) 153. In the European context in particular, see T Mylly, *Intellectual Property and European Economic Constitutional Law* (Gummerus Kirjapaino Oy, Vaajakoski, 2009); Ch Geiger, 'Moving out of the Economic Crisis: What Role and Shape for Intellectual Property Rights in the European Union?', in H Kalimo and M S Jansson (eds), *EU Economic Law in a Time of Crisis* (Cheltenham, UK/Northampton, MA, Edward Elgar Publishing, 2016) 135.

It is therefore no surprise that the European Court of Human Rights (ECtHR, or Strasbourg Court), Europe's principal human rights watchdog, is increasingly concerned about the conformity of IP laws with Europe's catalogue of human rights and fundamental freedoms.[7]

All areas of intellectual property have been involved; however, surprisingly, most of the decisions rendered by the Strasbourg Court have so far received relatively little comment, with the exception of a handful of cases that attracted a lot of attention. To give only a few examples of the amplitude of the phenomenon, the Strasbourg Court has tested the grant of a compulsory licence for a patented drug for its compliance with the Convention property provision;[8] assessed the proportionality of the requirement to pay damages for a short news broadcast of copyrighted works with regard to the television channel's right to freely communicate information;[9] and considered, further, whether an unauthorised reproduction of the portrait and name of the applicants' ancestor in a brewery's trademark was such as to cause them distress by encroaching on their private and family life.[10] In the procedural context of the right to a fair trial, a violation of a reasoned judicial decision was established by the ECtHR in the national court's failure to address the applicant's argument relating to her trademark's priority;[11] whereas the proceedings decisive for the registration of the applicant's design that lasted almost four years amounted to a violation of a reasonable time requirement in view of the total duration of protection of five years counted from the date of filing an application.[12]

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[7] See on this issue, Ch Geiger, 'Reconceptualizing the Constitutional Dimension of Intellectual Property', in P L C Torremans (ed.), *Intellectual Property and Human Rights* (3rd ed, Alphen aan den Rijn, Kluwer Law International, 2015) 115; and, in the context of copyright in particular, from the same author, 'Copyright's Fundamental Rights Dimension at EU Level', in E Derclaye (ed.), *Research Handbook on the Future of EU Copyright* (Cheltenham, UK/Northampton, MA, Edward Elgar, 2009) 27.

[8] ECommHR, *Smith Kline & French Lab. Ltd. v. the Netherlands* (dec.), no 12633/87, 4 October 1990, CE:ECHR:1990:1004DEC001263387.

[9] ECommHR, *Société Nationale de Programmes FRANCE 2 v. France* (dec.), no 30262/96, 15 January 1997, CE:ECHR:1997:0115DEC003026296 (available only in French).

[10] ECtHR, *Vorsina and Vogralik v. Russia* (dec.), no 66801/01, 5 February 2004, CE:ECHR:2004:0205DEC006680101.

[11] ECtHR, *Hiro Balani v. Spain*, no 18064/91, 9 December 1994, CE:ECHR:1994:1209JUD001806491.

[12] ECommHR, *Denev v. Sweden* (report (31)), no 25419/94, 14 January 1998, CE:ECHR:1998:0114REP002541994.

An increased involvement of the ECtHR in IP law regulation has already influenced national judges,[13] thus calling for closer scrutiny of the Court's approach to resolving IP disputes. Indeed, the case law of the Strasbourg Court provides important guidance on how the conflicts pertaining to the IP / human rights intersection will be adjudicated on the national level.[14]

The present chapter is the first attempt to give a comprehensive overview of such case law.[15] It starts with the right to property framework for intellectual property and the protection it affords to the

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[13] See for example the French Supreme Court *(Cour de cassation)*, 1st Civil Chamber, no. 13-27391, 15 May 2015, published in the Bulletin, available (in French) <https://www.legifrance.gouv.fr/affichJuriJudi.do?oldAction=rechJuriJudi&idTexte=JURITEXT000030600576&fastReqId=1591102659&fastPos=3> accessed December 2017; Supreme Court of the Netherlands, *GS Media BV v. Sanoma Media Netherlands BV and Others*, 3 April 2015, available (in Dutch) <https://docs.google.com/viewer?a=v&pid=sites&srcid=ZGVmYXVsdGRvbWFpbnxhZnJvaXBsZW98Z3g6ZGFlNjc3MzhkYjBjNWVm> accessed December 2017, paras 5.2.5–5.2.6; England and Wales High Court (Chancery Division), *Rocknroll v. News Group Newspapers Ltd* [2013] EWHC 24 (Ch) (17 January 2013), para 42; Court of The Hague, *Nadia Plesner v. Louis Vuitton Malletier SA*, no. 389526 / KG ZA 11-294, 4 May 2011, paras 4.2–4.3.

[14] See, for example, J Christoffersen, 'Human Rights and Balancing: The Principle of Proportionality', in Ch Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property supra* note 1, 19.

[15] Those – not many – doctrinal sources devoted to the ECtHR jurisprudence on IP matters often concentrate on a specific Convention right of relevance for IP protection, such as the right to property (see L R Helfer, 'The New Innovation Frontier? Intellectual Property and the European Court of Human Rights' (2008) 49 Harvard International Law Journal 1) or the right to freedom of expression and information (see P B Hugenholtz, 'Copyright and Freedom of Expression in Europe', in R C Dreyfuss, D L Zimmerman, and H First (eds), *Expanding the Boundaries of Intellectual Property: Innovation Policy for the Knowledge Society* (Oxford, Oxford University Press, 2001) 343, <https://pure.uva.nl/ws/files/3274348/16602_PBH_Engelberg.doc> accessed December 2017. Other sources, even when examining several Convention provisions of relevance for IP, do not cover them all, providing an analysis only from the perspective of IP owners (and not users) (D Bogdan, 'Intellectual Property in the Case-Law of the European Court of Human Rights', Proceedings of the International Conference CKS-CERDOCT Doctoral Schools, *Challenges of the Knowledge Society*, Bucharest, 15–16 April 2011, 93; D S Welkowitz, 'Privatizing Human Rights? Creating Intellectual Property Rights from Human Rights Principles' (2013) 46 Akron Law Review 675), or concentrating on the impact of Convention rights on a particular jurisdiction (T Pinto, 'The Influence of the European Convention on Human Rights in Intellectual Property Rights' (2002) 24(4) EIPR 209).

economic interests of IP holders (1). The chapter then proceeds to the instances of alleged interference of IP protection with other rights guaranteed by the Convention. This includes, first and foremost, the right to freedom of expression and information, frequently invoked by the user community as a counterweight to certain over-expansionist tendencies in IP protection (2). The chapter next focuses on the more rare examples of IP interaction with the right to privacy, mainly reduced to the questions of an exercise of remedies for IP infringement and certain – still largely theoretical – arguments in support of the protection of moral rights under the scope of this right (3). Furthermore, the right to non-discrimination, which gave rise to disputes pertaining to restrictions imposed by national broadcasting and copyright legislation on some types of businesses, as well as those concerning the different nature of patent appeal proceedings, merits a separate examination (4). A range of procedural guarantees such as the right of access to court, finality of court decisions, the tribunal's independence and impartiality, reasonable duration of proceedings, and many others that had been considered by the ECtHR in their application to IP proceedings, are analysed in the last part of the chapter (5). Some concluding observations are made at the end.

1. THE HUMAN RIGHT TO PROPERTY AS A BASIS FOR THE PROTECTION OF ECONOMIC INTERESTS OF IP HOLDERS

Since the beginning of the 1990s, the Court and its former Commission of Human Rights[16] have repeatedly stated that different IP rights – including patents, copyrights, and trademarks – were all protected by the general right to property of Article 1 of Protocol No. 1 to the ECHR.[17] Moreover, not only the acquired intellectual property title was deemed

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[16] The European Commission of Human Rights (ECommHR) was the ECHR body abolished in 1998 that had been until then entrusted with decisions on the admissibility of applications to the Court (see Council of Europe, *Protocol 11 to the European Convention for the Protection of Human Rights and Fundamental Freedoms, Restructuring the Control Machinery Established Thereby*, 11 May 1994, ETS 155).

[17] See, in the field of patent law: ECommHR, *Smith Kline & French Lab. Ltd. v. the Netherlands* (dec.), no 12633/87, 4 October 1990, CE:ECHR:1990:1004DEC001263387; ECommHR, *Lenzing AG v. the United Kingdom* (dec.), no 38817/97, 9 September 1998, CE:ECHR:1998:0909DEC003881797, para 2. In the field of copyright: ECommHR, *A.D. v. the Netherlands* (dec.), no 21962/93, 11 January 1994, CE:ECHR:1994:0111DEC002196293, para 3; ECommHR,

protected, but also the applications for the registration thereof.[18] An overview of the Convention case law on the right to property makes it possible to distinguish three categories of cases: IP disputes originating in a direct State action (1.1.); IP disputes between private parties that can still be attributable to the State by virtue of the Convention's horizontal effect (1.2.); and the claims against international organisations (notably, the European Patent Office (EPO)) (1.3.).[19]

1.1 Negative Aspect: Direct State Interference with the Exercise of IP Rights

The first category of property-as-a-basis-for-IP cases is the most 'traditional' in the Convention terms insofar as it pertains to allegations of interference with the applicants' intellectual property rights *directly* attributable to States (the only parties accountable under the Convention). In the IP context, the following types of disputes originating in a direct State action were brought to the attention of Convention organs: non-recognition of the applicant's IP entitlement (1.1.1.) or refusal to restore it (1.1.2.), and a more specific issue pertaining to compulsory licencing (1.1.3.).

1.1.1 Non-recognition of an applicant's IP entitlement

The first type of dispute resulting out of a direct State action – non-recognition of the applicant's IP entitlement under the domestic legal

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Aral, Tekin and Aral v. Turkey (dec.), no 24563/94, 14 January 1998, CE:ECHR:1998:0114DEC002456394, para 4; ECtHR, *Dima v. Romania* (dec.), no 58472/00, 26 May 2005, CE:ECHR:2005:0526DEC005847200 (available only in French); ECtHR, *Melnychuk v. Ukraine* (dec.), no 28743/03, 5 July 2005, CE:ECHR:2005:0705DEC002874303, para 3; ECtHR, *Bălan v. Moldova*, no 19247/03, 29 January 2008, CE:ECHR:2008:0129JUD001924703, para 34; ECtHR, *SC Editura Orizonturi SRL v. Romania*, no 15872/03, 13 May 2008, CE:ECHR:2008:0513JUD001587203 (available only in French), para 70; ECtHR, *SIA AKKA/LAA v. Latvia*, no 562/05, 12 July 2016, CE:ECHR:2016:0712JUD000056205, para 41. In the field of trademarks: ECtHR, *Anheuser-Busch Inc. v. Portugal* [GC], no 73049/01, 11 January 2007, CE:ECHR:2007:0111JUD007304901, para 72; ECtHR, *Paeffgen Gmbh v. Germany* (dec.), nos 25379/04, 21688/05, 21722/05 and 21770/05, 18 September 2007, CE:ECHR:2007:0918DEC002537904, para 1.

[18] ECtHR, *Anheuser-Busch Inc. v. Portugal* [GC], no 73049/01, 11 January 2007, CE:ECHR:2007:0111JUD007304901, para 78.

[19] For an excellent analysis of the Convention's law on the right to property in its application to intellectual property, see L R Helfer, 'The New Innovation Frontier?' *supra* note 15.

system – was considered at length for the first time in 2005 in the case of *Dima v. Romania*.[20] The applicant in that case was a graphic designer who had worked in the studio of Plastic Arts of the Romanian Defence Ministry. After the fall of the communist regime in December 1989, Romanian authorities decided to adopt a new State emblem, and a public competition was launched. The design project prepared by the applicant was chosen over many other submissions and the applicant was appointed to work with two other experts in history and heraldry on the model of a new emblem. Approved by the Parliament, the design proposed by the applicant was ratified by the Law on the State Emblem and Seal and published in the Official Journal of Romania. The applicant's name appeared in that journal bearing the mention 'graphic designer'. For an unspecified reason the applicant had never, however, been remunerated for his work. Seeking to obtain compensation and to assert copyright in his design, the applicant brought several lawsuits against the companies that had reproduced and distributed the State emblem and seal (namely, the two private companies and one State enterprise responsible for minting of Romanian coins). The applicant's claims were, nevertheless, rejected in all instances on the grounds that copyright in the design subsisted in the Parliament who had commissioned the work and that, in any event, the State emblem and seal could not be subject to copyright. The trial and appellate courts relied in their reasoning on the new Law on copyright of 1996 which, unlike the law in force at the time of the design's creation, explicitly excluded State symbols from the subject-matter of copyright. The applicant appealed on points of law to the Romanian Supreme Court of Justice, challenging the retroactive application of the 1996 Law to his situation. The Supreme Court dismissed the applicant's appeal, essentially basing its argument – unlike the lower judicial instances – on the 1956 Decree on copyright in force at the time the models were designed by the applicant. It reasoned that, even in the absence of explicit exclusion of State symbols from the subject-matter of copyright under the aforementioned Decree, the latter, which used the positive enumeration technique in defining the scope of protection, did not provide that the State emblem and seal could be copyrighted.

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[20] ECtHR, *Dima v. Romania* (dec.), no 58472/00, 26 May 2005, CE:ECHR:2005:0526DEC005847200 (available only in French). For an assessment of this case, see L R Helfer, 'The New Innovation Frontier?' *supra* note 15, 14–18; and D Bogdan, 'Intellectual Property in the Case-Law of the European Court of Human Rights' *supra* note 15, 96, 100–101.

The applicant contested this finding of the country's highest court before the ECtHR. Relying on Article 1 of Protocol No. 1 (protection of property) to the Convention, he complained that the domestic courts' interpretation of national copyright laws deprived him of his copyright in the design of the State emblem and seal and from the income resulting from the exploitation of his work to which he was entitled as an author. He maintained that his copyright arose from the moment he created the design or, at the latest, from the moment he was mentioned as an author in the Official Journal. He further asserted that even in the event of a qualifying contract, this would not prevent the creation of a work and copyright ownership.

The Strasbourg Court first stated that intellectual property was covered by Article 1 of Protocol No. 1 to the Convention, thereby finding it appropriate to examine whether the applicant had in this respect a 'possession' or at least a 'legitimate expectation' of acquiring a 'possession'.[21] Concerning the latter point, however, the ECtHR abstained from interfering with the domestic courts' reasoning and declared the applicant's complaint inadmissible *ratione materiae* – that is to say, due to the applicant's failure to prove that the right claimed by him was recognised, at least arguably, under Romanian law.[22] The Strasbourg Court noted that it was for the national courts to determine the disputes on the existence or scope of copyright, stressing in particular that at no point in the domestic proceedings did those courts find in favour of the applicant.[23] Nor was there any favourable case law allowing the applicant to prove that it was possible to acquire copyright in the designs of the State emblem and seal.[24] The Supreme Court's interpretation of national copyright laws was, moreover, such as to exclude that possibility. It therefore followed that the applicant did not have a 'possession' or at least a 'legitimate expectation' of acquiring a 'possession' in terms of the Convention.[25] In particular, no 'legitimate expectation' could be said to arise where there was a dispute as to the correct interpretation and application of domestic law and the applicant's submissions were subsequently rejected by the national courts.[26] In this light, with regard to the limited power of the ECtHR to review alleged errors of fact or law committed by the national

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[21] ECtHR, *Dima v. Romania* (dec.), no 58472/00, 26 May 2005, CE:ECHR:2005:0526DEC005847200 (available only in French).

[22] Ibid.

[23] Ibid.

[24] Ibid.

[25] Ibid.

[26] Ibid.

courts, there appeared to be no arbitrariness in the way the Supreme Court decided in the applicant's case.[27]

Some three years later in a very similar dispute, however, the Strasbourg Court reached what on the surface at least is an opposite conclusion. The case at issue, *Bălan v. Moldova*,[28] concerned the refusal of Moldovan courts to compensate the applicant for unauthorised use of a photograph by the Ministry of Internal Affairs as a background for national identity cards. Unlike in the case of *Dima*, nevertheless, the applicant's authorship was acknowledged by the domestic courts which also awarded him some compensation. Yet, the applicant's request for a contract for future use of the photograph and the claim for compensation for the continued unlawful use of it were, after a series of court decisions, rejected by the country's Supreme Court. The latter reasoned that the applicant had failed to request the prohibition of any further use and that identity cards as official documents could not be subject to copyright.

The ECtHR, to which the case was referred thereafter, considered that the refusal of the domestic courts to award the applicant compensation following the breach of his copyright amounted to a violation of Article 1 of Protocol No. 1 to the ECHR.[29] The Strasbourg Court took note of the fact, first, that the applicant's rights in the photograph had been recognised by the domestic courts in a final judgment and therefore constituted a 'possession' within the meaning of the Convention property provision.[30] As to the Supreme Court's argument that identity cards could not be subject to copyright, the ECtHR pointed to the distinction in the relevant national law between the authors' rights in respect of their works and the property right over the material object in which their creation was

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[27] Ibid.

[28] ECtHR, *Bălan v. Moldova*, no 19247/03, 29 January 2008, CE:ECHR:2008:0129JUD001924703. For a discussion of this case, see L R Helfer and G W Austin, *Human Rights and Intellectual Property: Mapping the Global Interface* (Cambridge, Cambridge University Press, 2011) 212–213; D Bogdan, 'Intellectual Property in the Case-Law of the European Court of Human Rights' *supra* note 15, 105; and H G Ruse-Khan, 'Overlaps and Conflict Norms in Human Rights Law: Approaches of European Courts to Address Intersections with Intellectual Property Rights', in Ch Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property supra* note 1, 70, 80–82 and 87.

[29] ECtHR, *Bălan v. Moldova*, no 19247/03, 29 January 2008, CE:ECHR: 2008:0129JUD001924703, para 46.

[30] Ibid., paras 34–46.

embodied.[31] Since the Supreme Court only referred to identity cards and not to the photograph taken by the applicant, its finding that identity cards could not be subject to copyright had no bearing on the applicant's copyright in respect of his photograph.[32] Insofar as it concerned the applicant's failure to ask the courts to prohibit the use of his work, the ECtHR considered that the impugned use of the photograph, even in the absence of the applicant's petition, posed an interference with his right.[33] This was due to the fact that the illegal character of unauthorised use was not conditioned in law by any particular act of the copyright owner, such as the request for a court injunction against such use.[34] Finally, on the subject of proportionality, the Court concluded that the applicant's interest in the protection of his copyright outweighed the community interest in issuing identity cards, as the later aim could have been reached in a variety of ways not involving the breach of the applicant's IP rights.[35]

1.1.2 Refusal to restore an IP title

The State's refusal to restore a previously recognised IP title, as a second instance of direct State action, was at stake in the case of *University of Illinois Foundation v. the Netherlands*.[36]

The case concerned the lapse of a patent granted by the Dutch Patent Council as a result of the applicant's failure to pay a patent maintenance fee on time. The Dutch representative had failed to notify the applicant (an American corporate body) that the annual fee had not been paid (which happened due to a technical error) and to remind them to pay it within a six-month period after the deadline. By the time the applicant discovered the oversight, the patent had already lapsed. The applicant's subsequent request for restoration of the patent was rejected by the Patent Council, which relied on the provision of the Dutch Patent Act, according

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[31] Ibid., para 35.

[32] Ibid.

[33] Ibid., paras 38–40.

[34] Ibid., para 38.

[35] Ibid., para 45. Note that a similar type of claim on the alleged violation by public authorities of the applicant's copyright on the design drawings for the National Bank's commemorative coins is currently pending before the Court (ECtHR, *AsDAC v. the Republic of Moldova*, no 47384/07, communicated on 17 January 2013).

[36] ECommHR, *University of Illinois Foundation v. the Netherlands* (dec.), no 12048/86, 2 May 1988, CE:ECHR:1988:0502DEC001204886.

to which the possibility to request restoration did not apply when the loss of rights resulted from late payments, where an extended payment period existed.

Relying on Article 1 of Protocol No. 1 (protection of property) ECHR, the applicant complained that it had been deprived of its possessions and that the public interest involved in the lapse of its patent was not proportionate to the foundation's interest. This assertion was, however, rejected by the European Commission of Human Rights. It reasoned that the right to have the patent restored had no legal basis either in Dutch law or in the Convention itself.[37] Accordingly, its recognition 'would essentially entail a right to acquire property'[38] which was not guaranteed by Article 1 of Protocol No. 1.[39]

The ruling of the Commission might seem quite radical. Nevertheless, it is rather old (rendered in 1988), and the position of the Court might be different today if a similar case were brought before it: as the ECtHR made it clear on numerous occasions, the Convention is a 'living instrument which must be interpreted in the light of present-day conditions'.[40] A recent example from Belgium is instructive in this regard. The country's Constitutional Court found in 2014 that revoking a patent due to a failure to provide a translation within the strict three-month deadline and without the possibility of restoration was a disproportionate deprivation of property in view of the legislator's aim to inform the public on the scope of the patent and a non-justified damage to the right to property of the patent holder.[41] Such a sanction was hence held contrary to the Belgian Constitution's property provision (Article 16), read in conjunction with Article 1 of the First Protocol to the ECHR.

1.1.3 Compulsory licencing

A different category of disputes involving direct State action revolved around the grant of compulsory licences for the use of protected works.

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[37] Ibid., para 1.

[38] Ibid.

[39] Ibid.

[40] See, inter alia, ECtHR, *Matthews v. the United Kingdom* [GC], no 24833/94, 18 February 1999, CE:ECHR:1999:0218JUD002483394, para 39; ECtHR, *Selmouni v. France* [GC], no 25803/94, 28 July 1999, CE:ECHR:1999:0728JUD002580394, para 101; ECtHR, *Sergey Zolotukhin v. Russia* [GC], no 14939/03, 10 February 2009, CE:ECHR:2009:0210JUD001493903, para 80.

[41] Constitutional Court of Belgium (*Cour constitutionnelle*), *BioPheresis Technologies Inc v. State of Belgium*, no. 3/2014, 16 January 2014 (available in French) <http://www.eplawpatentblog.com/2014/February/Cour%20Cost%20%2016%20janvier%202014_01446200.pdf> accessed December 2017.

The question of whether such a grant amounts to an unjustified interference with the rightholder's possessions was raised before the Convention institutions twice.

The first case, *Smith Kline v. the Netherlands*,[42] dates back to 1990. It concerned the dispute around the grant by the Dutch Patent Office of a compulsory licence for the applicant company's (the dominant patent holder) patented drug to the owner of a dependent patent, after the former refused to grant such a licence.

Although finding that the decisions of the Patent Office, conferring a compulsory licence for the applicant's patent, constituted a control of the use of property,[43] the Commission nevertheless considered that such control was lawful and pursued the legitimate aim of encouraging technological and economic development.[44] As for the proportionality, the Commission observed that

> the provision only comes into effect where such licence is necessary for the working of a patent of the same or later date and the licence should be limited to what is required for the working of the patent. Further, the owner of the dominant patent is entitled to royalties in respect of each compulsory licence granted under the legislation and receives reciprocal rights under the dependent patent. While the Commission recalls that the Patent Office is not required to investigate in each particular case whether the grant of the compulsory licence is necessary in the general interest, the Commission finds that the framework imposed by the legislation is intended to prevent abuse of monopoly situations and encourage development and that this method of pursuing that aim falls within the margin of appreciation accorded to the Contracting State. The Commission accordingly finds that the control of use in the circumstances of this case did not fail to strike a fair balance between the interests of the applicant company and the general interest and is in accordance with the requirements of Article 1 of Protocol No. 1 ... to the Convention.[45]

The second occasion on which compulsory licencing was tested for its compliance with the Convention's property provision arose very

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[42] ECommHR, *Smith Kline & French Lab. Ltd. v. the Netherlands* (dec.), no 12633/87, 4 October 1990, CE:ECHR:1990:1004DEC001263387. For a discussion of this case, see L R Helfer, 'The New Innovation Frontier?' *supra* note 15, 12–13, 27–28, and 32–35; and H G Ruse-Khan, 'Overlaps and Conflict Norms in Human Rights Law' *supra* note 28, 79.

[43] ECommHR, *Smith Kline & French Lab. Ltd. v. the Netherlands* (dec.), no 12633/87, 4 October 1990, CE:ECHR:1990:1004DEC001263387.

[44] Ibid.

[45] Ibid.

recently – in July 2016 – and concerned this time the Latvian collective rights management organisation (SIA AKKA/LAA) that filed a complaint[46] about being ordered by national courts to conclude licencing agreements for the use of musical works of the authors it represented with two domestic broadcasters on the terms set by the courts.[47] According to the applicant organisation, the national courts' orders amounted to an unjustified restriction of the exclusive rights of the authors represented by SIA AKKA/LAA, in violation of Article 1 of Protocol No. 1 (protection of property) to the ECHR.

The ECtHR disagreed, holding that there had been no violation of the named provision.[48] It first rejected the Government's contention that the applicant organisation could not claim to be a victim of a measure that infringed the rights guaranteed by the Convention to its members.[49] According to the Court, once the domestic legal order attributed the protection of authors' rights to an organisation founded by the authors for this purpose, and vested it with independent rights transferred from the authors, then that organisation must have been regarded as a victim of a measure affecting these rights.[50] The ECtHR established next that SIA AKKA/LAA disposed 'possessions' – that is, the rights transferred to it by its members[51] – and that those possessions had been interfered with

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[46] ECtHR, *SIA AKKA/LAA v. Latvia*, no 562/05, CE:ECHR:2016:0712JUD000056205, 12 July 2016. See, on this case, the Press Unit of the ECtHR, *Factsheet – New Technologies* (Council of Europe/ European Court of Human Rights, July 2017), 15–16, <http://www.echr.coe.int/Documents/FS_New_technologies_ENG.pdf> accessed December 2017.

[47] When concluding that it was within their competence to set the royalty rate, the national courts relied on Article 11bis of the Berne Convention (setting out provisions in relation to broadcasting and related rights), section 5 of the Latvian Civil Procedures Law of 14 October 1998 (providing that a judge must be guided by the general principles of law and justice when a court is called upon to adjudicate on its own discretion or when exceptional circumstances have to be taken into account), and section 41 of the Latvian Copyright Law of 6 April 2000 (*Autortiesību likums*) (part three of this section providing that if the licence agreement does not set out the royalty rate, the latter shall be decided by the domestic courts). Latvian Civil Procedures and Copyright Laws are available (English translation by the World Intellectual Property Organization (WIPO)) <http://www.wipo.int/wipolex/en/profile.jsp?code=LV> accessed December 2017.

[48] ECtHR, *SIA AKKA/LAA v. Latvia*, no 562/05, CE:ECHR:2016:0712JUD000056205, 12 July 2016, para 81.

[49] Ibid., para 43.

[50] Ibid., para 49.

[51] Ibid., para 55.

by the domestic courts.[52] As to the lawfulness of such interference, the Court was satisfied that the domestic courts' competence to deal with the issue had some basis in domestic and international copyright law.[53] It was also of the opinion that the measures complained of pursued a legitimate aim, as they served both the radio stations' interest to obtain a licence allowing them to legally broadcast the musical works in question and the public interest in having access to those works.[54] In reaching this conclusion, it was taken into account that 'over an extended period of time protected works were being broadcast without a valid licence, and that this situation was to a certain extent due to the applicant organisation's limited efficiency in carrying out negotiations with the defendants'.[55] Finally, on the question of proportionality, the Court considered that the national courts had managed to strike a fair balance between a legitimate aim sought and the rights of the collecting society to equitable remuneration. In this regard, the ECtHR noted, first, that, in setting the royalty rate, the domestic courts relied on the terms already negotiated by the parties who were also before that provided with the time to reach an agreement.[56] Second, it was noted that banning the broadcast would not have suited the interests of copyright holders to obtain the maximum profit from the exploitation of musical works.[57] Thirdly, the courts' orders for the parties to enter into a licencing agreement were limited in scope and time.[58]

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As an overview of Convention cases pertaining to direct State interference in the exercise of IP rights demonstrates, the ECtHR leaves Member States considerable discretion in regulating (intellectual) property disputes.[59] Unless IP rights are given domestic recognition in the form of a legislative act or a court decision, the Strasbourg Court will be reluctant to accept that the claimed right falls within the Convention property provision: in other words, that any substantive interest protected by the

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[52] Ibid., para 59.
[53] Ibid., paras 64–66; see *supra* note 47.
[54] Ibid., paras 69–71.
[55] Ibid., para 70.
[56] Ibid., para 77.
[57] Ibid., para 78.
[58] Ibid., para 79.
[59] See A Peukert, 'The Fundamental Right to (Intellectual) Property and the Discretion of the Legislature', in Ch Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property supra* note 1, 132.

Convention is conferred on the applicant. In such cases, the IP claim brought under Article 1 of the First Protocol is likely to be rejected *ratione materiae*. This, as has been shown, was the case in *Dima v. Romania* and *University of Illinois Foundation*.

Even if the claimed interest has a substantive basis and an interference with the applicant's IP right can be established, a wide margin of appreciation is left to Member States when deciding on the manner in which the interest in protecting intellectual property is to be balanced with other interests of general importance for society. This would include encouraging technological and economic development or wider access to musical works as was the case, respectively, in *Smith Kline* and *SIA AKKA/LAA*.

It is important to bear in mind that the Convention's property protection is far from being absolute[60] and that the Strasbourg Court rarely interferes with the findings at the national level. Only in situations of blatant violations, as was the case in *Bălan v. Moldova*, might the Court hold Article 1 of the First Protocol infringed. For those claims to succeed, however, it is important that the applicants clearly substantiate their property claims (having the burden of proof) and that some sort of recognition of their right can be traced to the national level.

1.2 Positive Aspect: State Failure to Regulate IP Disputes between Private Parties

Although the Court may not, as a general rule, receive applications against private parties, 'the obligation to secure the effective exercise of Convention rights may involve positive obligations of a State, and ... these obligations may involve the adoption of measures even in the sphere of the relations of individuals between themselves'.[61] This extension of the Convention's reach to disputes between private actors (also known as a 'horizontal effect' of the Convention[62]) may take place, for example, when the national legislation does not meet the requirements of

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[60] See Ch Geiger, 'The Social Function of Intellectual Property Rights' *supra* note 6; and, from the same author, 'Implementing Intellectual Property Provisions in Human Rights Instruments: Towards a New Social Contract for the Protection of Intangibles', in Ch Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property supra* note 1, 661.

[61] ECommHR, *J.S. v. the United Kingdom* (dec.), no 19173/91, 8 January 1993, CE:ECHR:1993:0108DEC001917391.

[62] See for example J F Akandji-Kombe, *Positive Obligations Under the European Convention on Human Rights: A Guide to the Implementation of the*

Article 1 of Protocol No. 1 to the Convention or when the losses of one of the parties to the (essentially private) proceedings are caused by arbitrary determinations of the State's judicial bodies. In those cases, the national judicial decisions are regarded as a form of State action.[63]

In relation to intellectual property proceedings, the Court and its former Commission had to consider allegations of Article 1 Protocol No. 1 violations in three categories of cases originating in private-party litigation: contractual disputes (1.2.1); infringement disputes and claims for royalties (1.2.2); and disputes over ownership of an IP title (1.2.3).

1.2.1 Contractual disputes

A contractual intellectual property dispute – the first in the private-party type of conflict – was the subject of the case of *Aral, Tekin and Aral v. Turkey*.[64] The case concerned a copyright infringement suit over artistic material created by the applicants for certain magazines. The trial court decided that all financial rights over the artistic material created by the applicants during their contract with the initial owner of the magazines belonged to the entrepreneur who subsequently purchased those magazines (H.E.A.) and that those materials could not, accordingly, be published without H.E.A.'s permission. The decision was based on the applicants' contract with H.E.A.'s predecessor and on the relevant provisions of the Turkish Law on Intellectual and Artistic Works[65] which, at the material time, recognised a certain form of the work for hire doctrine. Article 8, paragraph 2 of that Law provided, in particular, that '[u]nless otherwise understood by special contract between them or the content of the work, the owner of the financial rights of the works created by the officials, servants and workers in conduct of their job is the person employing or assigning them'.[66] The trial court considered, nevertheless,

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European Convention on Human Rights (Council of Europe, Human Rights Handbooks, No. 7, 2007) 14.

[63] See L R Helfer, 'The New Innovation Frontier?' *supra* note 15, 28.

[64] ECommHR, *Aral, Tekin and Aral v. Turkey* (dec.), no 24563/94, 14 January 1998, CE:ECHR:1998:0114DEC002456394. For commentary on this case, see L R Helfer, 'The New Innovation Frontier?' *supra* note 15, 28–29; and D Bogdan, 'Intellectual Property in the Case-Law of the European Court of Human Rights' *supra* note 15, 97–98.

[65] Turkish Law No. 5846 of 5 December 1951 on Intellectual and Artistic Works (as last amended by Law No 4110 of 7 June 1995) (English translation from Turkish by the WIPO) <http://www.wipo.int/wipolex/en/text.jsp?file_id=129904> accessed December 2017.

[66] Note that the currently in force version of this law no longer contains this provision: see Law No 5846 of 5 December 1951 on Intellectual and Artistic

that the characters created by the applicants could still be used by them in other magazines or newspapers, but in relation to other subjects and stories. All the subsequent attempts by the applicants to overturn this decision were unsuccessful.

Responding to the applicants' challenge of the domestic courts' refusal to recognise them as owners of the artistic material created by them, the European Commission of Human Rights observed that

> there is no interference with the right to peaceful enjoyment of possessions when, pursuant to the domestic law and a contract regulating the relationship between the parties, a judge orders one party to that contract to surrender a possession to another, unless it arbitrarily and unjustly deprives that person of property in favour of another ...[67]

Turning to the circumstances of the case before it, the Commission noted that

> the domestic courts interpreted the domestic law in the light of the contract between the applicants and H.E.A. They decided that the owner of the artistic materials, in particular, the pictures, cartoons, films etc., which were published or which were unpublished but held in the archives of the magazines 'Girgir' and 'Firt', was H.E.A. Furthermore, the courts decided that the applicants could continue to draw the same characters which they had drawn and published in the two magazines during the period of their contract, but in association with other subjects and stories, in other magazines or newspapers.[68]

On this basis, the Commission found 'no element in the case which would allow it to conclude that the courts acted in an arbitrary or unreasonable manner'.[69] Accordingly, no shortcomings attributable to the State were established by the Commission in this respect.[70]

Just a few months later the Commission again had to resolve a contractual dispute – this time involving a civil claim brought by the applicants who owned legally protected industrial property and construction secrets in Germany. The applicants sought damages from an Italian

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Works (as amended up to Law No 6552 of 10 September 2014) (English translation by the WIPO) <http://www.wipo.int/wipolex/en/text.jsp?file_id=440050> accessed December 2017.

[67] ECommHR, *Aral, Tekin and Aral v. Turkey* (dec.), no 24563/94, 14 January 1998, CE:ECHR:1998:0114DEC002456394, para 4.

[68] Ibid.

[69] Ibid.

[70] Ibid. Complaint rejected as manifestly ill-founded.

company to which they licenced their trade secrets alleging breach of the licencing contract including unauthorised use of transferred knowledge.[71] The domestic courts dismissed the claim on the grounds of an intentional deception, finding that the applicants had been aware of the impossibility of obtaining the legal protection of the technology at stake in Italy. The applicants then appealed to the ECtHR, claiming that the domestic courts' decisions amounted to a breach of their property rights. They submitted that the trade secrets of a high commercial value had been transferred to the defendant.

The Commission considered that the applicants had failed to prove, in the course of the domestic judicial proceedings, that their licence had any commercial value.[72] Accordingly, and insofar as their property claim had never been recognised by the domestic courts, the impugned decisions of the German courts 'could not have the effect of depriving [the applicants] of a possession which they owned'.[73] It therefore followed that 'the applicants have not shown that they have the right referred to' and that their complaint under Article 1 of Protocol No. 1 had to be rejected as manifestly ill-founded.[74]

Despite the brevity of the Commission's analysis in the above cases, they nevertheless demonstrate the capability of the Convention organs to extend (even if cautiously) the scope of the human rights review horizontally to private-party disputes pertaining to contractual transfer of IP ownership.

On occasion, however, the Court would reject applications alleging a violation of the Convention property provision not directly involving State actors. For example, it refused to examine the merits of an Article 1 Protocol No. 1 claim concerning non-enforcement of a judgment that obliged a private company previously owned by the State to pay royalties to a patent holder.[75] According to the Court, since the debtor enterprise was a private company, the State was absolved of responsibility for its acts:

> The Court has no jurisdiction to consider applications directed against private individuals or businesses … [I]n this particular case the judgment against the

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[71] ECommHR, *G.D. & M. v. Germany* (dec.), no 29818/96, 20 May 1998, CE:ECHR:1998:0520DEC002981896.

[72] Ibid., para 1.

[73] Ibid., para 2.

[74] Ibid.

[75] ECtHR, *Mihăilescu v. Romania* (dec.), no 47748/99, 26 August 2003, CE:ECHR:2003:0826DEC004774899.

enterprise could not be enforced due to the enterprise's lack of funds and its subsequent bankruptcy. However, the State is not answerable under the Convention for that.[76]

1.2.2 Infringement disputes and claims for royalties

Analogous cautiousness of the Court to intervene with the domestic courts' interpretation of intellectual property issues accompanied the second type of property disputes between private parties – those pertaining to infringement claims and claims for royalties. One example is the case of *Melnychuk v. Ukraine*.[77] In that case, the applicant complained about the refusal of the local newspaper, which published critical reviews of his book, to also publish the applicant's reply to that criticism. Basing his main argument on that the newspaper's refusal raised an issue under Article 10 (freedom of expression) ECHR, Mr. Melnychuk also maintained that the critical reviews infringed his copyright. However, he did not advance any possible basis for this claim which was hence dismissed by the national courts as 'unsubstantiated'. The applicant appealed to the ECtHR, relying (alongside Article 10) on Article 1 of Protocol No. 1 to the ECHR, again without explaining in what way the Convention property provision could have been breached.

The Court declared the applicant's complaint inadmissible (manifestly ill-founded).[78] Having reiterated that intellectual property is protected in principle by Article 1 of Protocol No. 1, it nevertheless noted that the mere 'fact that the State, through its judicial system, provided a forum for the determination of the applicant's rights and obligations does not automatically engage its responsibility under Article 1 of Protocol No. 1'.[79] Referring to the applicant's failure to substantiate his copyright infringement claim, the ECtHR observed that 'the national courts proceeded in accordance with domestic law, giving full reasons for their decisions' to dismiss the applicant's complaint.[80] 'Thus, their assessment was not flawed by arbitrariness or manifest unreasonableness contrary to Article 1 of Protocol No. 1.'[81]

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[76] Ibid. Complaint rejected as manifestly ill-founded.

[77] ECtHR, *Melnychuk v. Ukraine* (dec.), no 28743/03, 5 July 2005, CE:ECHR:2005:0705DEC002874303. For a discussion of this case, see L R Helfer, 'The New Innovation Frontier?' *supra* note 15, 29–30.

[78] ECtHR, *Melnychuk v. Ukraine* (dec.), no 28743/03, 5 July 2005, CE:ECHR:2005:0705DEC002874303, para 3.

[79] Ibid.

[80] Ibid.

[81] Ibid.

Unlike in the case of *Melnychuk*, an interference with the Convention property provision was established two years later in a dispute over the registration of domain names which allegedly violated the trademark rights of others.[82] The applicant company in the case at issue, Paeffgen Gmbh, was engaged in e-commerce and held several thousand Internet domain names registered by the competent authority. According to the terms of the domain contracts concluded with the registration authority, it was up to the domain holder to verify whether the registration and use of the domains infringed the rights of others. Subsequently, several sets of proceedings were brought against the applicant by other companies and private individuals claiming that the registration and use by Paeffgen of certain domains breached their trademark rights and / or their rights to a (business) name. In all those cases, the domestic courts found that the applicant company had unfairly taken advantage of the plaintiffs' well-known denominations. As a result, the applicant was ordered to refrain from using or disposing of the domains in question and obliged to apply for their cancellation – a decision that Paeffgen had further contested before the ECtHR. It argued that the absolute prohibition on using its domain names and the duty to apply for a cancellation thereof, instead of a mere duty to refrain from a specific infringement of the plaintiffs' rights, disproportionately interfered with its right to property under Article 1 of Protocol No. 1 to the ECHR.

The Strasbourg Court agreed that the measure in question did in fact amount to an interference with the applicant's 'possessions', thereby recognising that domain names benefit from the protection of Article 1 of the First Protocol to the Convention.[83] It observed, however, that such interference served to protect the trademark rights or other rights of third parties by effectively preventing unauthorised use to the detriment of the rightholders.[84] Although it was true that the domestic courts did not consider it sufficient to order less restrictive measures, the Court noted that the applicant company failed to demonstrate limited ways of using the domains in question which would not risk interfering with the rights

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[82] ECtHR, *Paeffgen Gmbh v. Germany* (dec.), nos 25379/04, 21688/05, 21722/05 and 21770/05, 18 September 2007, CE:ECHR:2007:0918DEC 002537904. On this case, see D Bogdan, 'Intellectual Property in the Case-Law of the European Court of Human Rights' *supra* note 15, 105.

[83] ECtHR, *Paeffgen Gmbh v. Germany* (dec.), nos 25379/04, 21688/05, 21722/05 and 21770/05, 18 September 2007, CE:ECHR:2007:0918DEC 002537904, para 1.

[84] Ibid.

of others.[85] The ECtHR further observed that the applicant was aware that the domain name registration did not imply freedom from third party claims.[86] It also took note of the fact that, at the time of the domestic court proceedings, the applicant company had hardly used its domains.[87] It thus followed that the judicial orders complained of were proportionate and had not excessively burdened the applicant.[88]

As is the case with the other types of dispute discussed above, the Court is likely to reject the applicant's property claim originating in the claim for royalties if at no point in domestic proceedings that claim was recognised by the courts. It is on these grounds that the Court declined, for example, an action concerning a claim for royalties from a limited liability company for a furniture line the applicant had designed and on which the ordinary courts had failed to decide for more than twelve years.[89] Responding to the applicant's allegation that, as a result of the ordinary courts' failure to decide on his action, he was unable to use his property (that is, the royalties due by the defendant), the ECtHR considered that the claims, not determined by a final court decision, did not amount to 'possessions' attracting the guarantees of the Convention property provision.[90] Accordingly, just as in the case of *Dima* discussed above, the complaint was declared inadmissible *ratione materiae*.[91]

As can be seen, the rulings under the Convention concerning disputes in the sphere of IP infringement and claims for royalties have not provided adequate opportunities to determine how these types of cases can be approached from an Article 1 of Protocol No. 1 perspective. Such analysis can, however, be expected soon in the pending case of *Safarov v. Azerbaijan*. The case concerns unauthorised reproduction of the applicant's book by a youth non-governmental organisation (NGO) on the website of one of that NGO's projects on the history of Azerbaijan.[92] When the applicant was informed of the infringement and requested that his book be removed from the website (which was done immediately), the book had already been downloaded 417 times. The applicant brought

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[85] Ibid.
[86] Ibid.
[87] Ibid.
[88] Ibid. Complaint rejected as manifestly ill-founded.
[89] ECtHR, *Rapos v. Slovakia*, no 25763/02, 20 May 2008, CE:ECHR: 2008:0520JUD002576302.
[90] Ibid., para 40.
[91] Ibid.
[92] ECtHR, *Safarov v. Azerbaijan*, no 885/12, communicated on 18 May 2017.

a civil claim against the NGO asking for pecuniary and non-pecuniary damages to compensate the loss he incurred as a result of the unauthorised reproduction of his book. The trial court dismissed the applicant's claims referring to Article 18 of the Azerbaijani Copyright Law[93] that allows reproduction of copyrighted materials by libraries, archives and educational institutions. The court further noted that the book had been removed from the website upon the applicant's demand and that the applicant failed to prove that he had suffered pecuniary or non-pecuniary damage. The applicant lodged an appeal against this decision arguing that the court had failed to refer to any of the purposes listed exhaustively in Article 18 of the Copyright Law. The appellate court rejected the applicant's claim repeating the reasoning of the first-instance court. The applicant's appeal to the Azerbaijani Supreme Court was likewise dismissed, the court reiterating the lower instances' reasoning and in addition referring also to Article 15(3) of the Copyright Law, which states that once the lawfully published copies of a book are sold, those copies can be further distributed without the author's consent and without paying royalty to the author. The applicant complained to the ECtHR, raising claims about the domestic court's reasoning of their decisions under Article 6(1) (fair trial) ECHR and about the failure by the State to protect his copyright, in alleged violation of Article 1 of Protocol No. 1 (protection of property) to the ECHR. In May 2017 both claims were communicated to the Azerbaijani Government – an indication that the case is likely to be examined on the merits.[94]

1.2.3 Disputes over ownership of an IP title

The final type of the private-party disputes originated in the claims of competing ownership of an intellectual property right. The most prominent example is without doubt the case of *Anheuser-Busch* which is also to date the sole intellectual property dispute that has made it to the ECtHR's highest body, the Grand Chamber.[95]

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[93] Law of the Republic of Azerbaijan on Copyright and Related Rights of 5 June 1996 (as amended up to Law No. 636-IVQD of 30 April 2013) (English translation by the WIPO) <http://www.wipo.int/wipolex/en/text.jsp?file_id=317315> accessed December 2017.

[94] Instead of being rejected at the point of admissibility review.

[95] ECtHR, *Anheuser-Busch Inc. v. Portugal* [GC], no 73049/01, 11 January 2007, CE:ECHR:2007:0111JUD007304901. For a discussion of this case, see K D Beiter, 'The Right to Property and the Protection of Interests in Intellectual Property – A Human Rights Perspective on the European Court of Human Right's Decision in Anheuser-Bush Inc v Portugal' (2008) 39(6) IIC 714;

The applicant, an American company, which sells beer in the United States under the brand name 'Budweiser', decided to enter European markets and sell beer under the same trademark. In 1981, it applied for a trademark registration for 'Budweiser' in Portugal. A Czech company, Budějovický Budvar, which also produced beer under the name 'Budweiser', opposed that application.[96] It argued that 'Budweiser Bier' had already been registered in its name as an appellation of origin under the 1958 Lisbon Agreement.[97] Following the breakdown of negotiations between the two companies that took place throughout the 1980s, they moved to the courts. In 1995, the applicant company succeeded in claiming that the product to which the Czech company's registration referred was not an appellation of origin, and that its registration should, accordingly, be cancelled. The American company then obtained a registration certificate for the 'Budweiser' trademark. Budějovický Budvar appealed the issuance of the certificate invoking a 1986 Bilateral Agreement between Portugal and Czechoslovakia on the reciprocal protection of appellations of origin.[98] The trial court dismissed the appeal, finding that the only intellectual property eligible for protection under Portuguese law

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B Goebel, 'Trade Marks are "Possessions", as are Applications' (2007) 2(4) JIPLP 197; J W Reiss, 'Commercializing Human Rights: Trademarks in Europe after Anheuser-Bush v. Portugal' (2011) 14(2) The Journal of Intellectual Property 176; D Bogdan, 'Intellectual Property in the Case-Law of the European Court of Human Rights' *supra* note 15, 101–102, 106; L R Helfer, 'The New Innovation Frontier?' *supra* note 15, 3–4, 12–13, 18–28 and 30–32; A Rahmatian, 'Trade Marks and Human Rights', in P L C Torremans (ed.), *Intellectual Property and Human Rights: Enhanced Edition of Copyright and Human Rights* (Alphen aan den Rijn, Kluwer Law International, 2008), 335, 346–347; and D S Welkowitz, 'Privatizing Human Rights?' *supra* note 15, 701–707.

[96] The term 'Budweiser' came from Budweis, a German name for the town of České Budějovice in Bohemia, in the Czech Republic, where Budějovický Budvar produced its beer.

[97] The Lisbon Agreement for the Protection of Appellations of Origin and their International Registration was signed in Lisbon on 31 October 1958, revised in Stockholm on 14 July 1967, and amended on 28 September 1979. It enabled Contracting States to request other Contracting States to protect appellations of origin of certain products, if they were recognised and protected as such in the country of origin and registered at the International Bureau of the WIPO. Both Portugal and the Czech Republic, as a successor to Czechoslovakia, were parties to this Agreement.

[98] An agreement between the governments of the Portuguese Republic and the Czechoslovak Socialist Republic on the Protection of Indications of Source, Appellations of Origin and Other Geographical and Similar Designations, which

and the Bilateral Agreement was the 'Českobudějovický Budvar' appellation of origin, and not the German translation of this phrase into 'Budweiser Bier'. This decision was, however, overturned by the appellate court in a judgment affirmed subsequently by the Portuguese Supreme Court, the latter holding that the protection under the 1986 Agreement between the two States extended to cover also translations of names of their respective national products. The applicant company's registration of 'Budweiser' as a trademark was, therefore, refused.

In a last bid to defend its interests, the American company appealed to the ECtHR, claiming that the Supreme Court's application of a bilateral treaty that came into force after it had filed its application to register the trademark, which ultimately resulted in its rejection, disproportionately interfered with its right to the protection of intellectual property, contrary to Article 1 of Protocol No. 1 to the ECHR.

The case was first considered by the Court's Chamber, which, in a judgment of 11 October 2005, held that there had been no violation of the applicant company's (intellectual) property rights.[99] This was because the latter had failed to obtain a final registration of its trademark which only (and not the application for the registration of a trademark) could be regarded as 'possessions' within the meaning of the ECHR.[100] The Chamber clarified in this regard that the applicant company had had a hope of acquiring such a 'possession', but not a legally protected legitimate expectation.[101] Accordingly, Article 1 of Protocol No. 1 was considered inapplicable to the mere applications for the registration of a trademark.[102]

Upon the applicant company's request, the case was then referred to the Grand Chamber. The latter, in contrast, took note of the bundle of financial rights and interests that derived from an application for trademark registration, which, notwithstanding its conditional character, possessed a substantial financial value for the applicant company.[103] The Grand Chamber thus noted that the applicant owned a set of proprietary rights recognised by the domestic law in connection with its trademark

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was signed in Lisbon on 10 January 1986 and which came into force on 7 March 1987, after publication in the Official Gazette.

[99] ECtHR, *Anheuser-Busch Inc. v. Portugal*, no 73049/01, 11 October 2005, CE:ECHR:2005:1011JUD007304901, para 53.

[100] Ibid., paras 50–52.

[101] Ibid., para 52.

[102] Ibid., para 53.

[103] ECtHR, *Anheuser-Busch Inc. v. Portugal* [GC], no 73049/01, 11 January 2007, CE:ECHR:2007:0111JUD007304901, para 76.

application, which accordingly was to be examined under Article 1 of Protocol No. 1.[104] Nonetheless, no violation of that provision was established by the Grand Chamber either.[105] As to the issue of the alleged retrospective application of the 1986 Agreement, it noted that the applicant company had not had an effective registration in existence when the impugned legislation took effect.[106] Concerning the applicant company's allegation of violation of the right of priority to its trademark application, the ECtHR reiterated that its role was not to review the domestic courts' interpretation of the relevant legislation.[107] Accordingly, it concluded that the Supreme Court's judgment did not constitute interference with the applicant company's right to the peaceful enjoyment of its possessions.[108]

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One important conclusion arising from an overview of the Convention cases on IP disputes between private parties is that many essentially private disputes can still be attributed to the State (an exception is the case of *Mihăilescu v. Romania* discussed above). However, for the horizontal effect of the Convention to come into play it would not suffice for the courts hearing such disputes to do no more than 'provide[] a forum for the determination of the applicant's rights'[109]: there must also be a reasonable suspicion of arbitrariness or unfairness on the part of domestic judiciary or of a lack of proportionality in its approach towards balancing the applicant's interests. If the domestic courts interpret national law in a manner that is inconsistent with the Convention requirements (including by application of legislation which contradicts Article 1 of Protocol No. 1 guarantees), the horizontal effect of the ECHR arises. This is a positive phenomenon, as it extends the safeguards of the human rights review to the private-party level.

In general, the principles on the basis of which private IP disputes are decided by the Strasbourg Court are hardly different from those which have already been outlined above in relation to the claims originating in a direct State action: The claimed IP entitlement has to find some recognition at the national level for the issue under Article 1 of Protocol

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104 Ibid., para 78.
105 Ibid., para 87.
106 Ibid., para 84.
107 Ibid., para 85.
108 Ibid., para 87.
109 ECtHR, *Melnychuk v. Ukraine* (dec.), no 28743/03, 5 July 2005, CE:ECHR:2005:0705DEC002874303, para 3.

No. 1 to the ECHR to arise; if/once such recognition is established, the question of whether there had been an interference with the applicant's possessions, whether it was in accordance with law, served a legitimate aim and was proportionate to that aim will be left to the wide discretion of the Member States to the ECHR. The first criterion (recognition of the property right by the domestic legal system) was not met, for example, in the above-discussed case of *Rapos v. Slovakia*, where the claims in a design dispute not determined by a final court decision could not qualify as a possession for the purposes of Article 1 of Protocol No. 1 to the ECHR. In those cases where the applicants' property claim fell within the scope of Article 1 of the First Protocol, no violation was established either due to the applicants' failure to properly substantiate their claims (*G.D. & M. v. Germany*; *Melnychuk v. Ukraine*) or due to the wide discretion accorded to the domestic courts in balancing the applicants' intellectual property rights with other competing interests (*Aral, Tekin and Aral*; *Paeffgen Gmbh*; and *Anheuser-Busch*). It is also notable that most of such cases got rejected as manifestly ill-founded, thus not even reaching the consideration on the merits.[110]

1.3 Claims against International Organisations (EPO)

Alongside Article 1 Protocol No. 1 cases on IP resulting out of direct State action and those originating in the private-party litigation, a separate category of applications arose out of complaints against international organisations, notably the European Patent Office. In a number of referrals to the ECtHR, the applicants claimed that structural deficiencies of EPO proceedings resulted in the loss of their patent rights (mainly through revocation) by the Contracting States to the European Patent Convention, all of which were also parties to the ECHR.[111] The Commission and the Court have, however, steadily rejected those allegations.

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[110] Of all cases reviewed in this section (section 1.2), only *Anheuser-Busch* was decided on the merits. All other cases were rejected at the level of admissibility review – the majority as manifestly ill-founded for either lack of interference with the applicant's right or for no appearance of arbitrariness or unfairness on the part of domestic courts involved in the proportionality analysis. Most of the cases discussed in section 1.1 above (on the State's direct action), likewise, were rejected at the admissibility stage, with only *Bălan* and *SIA AKKA/LAA* reaching examination on the merits.

[111] ECommHR, *Heinz v. the Contracting States party to the European Patent Convention insofar as they are High Contracting Parties to the European Convention on Human Rights* (dec.), no 21090/92, 10 January 1994, CE:ECHR:1994:0110DEC002109092; ECommHR, *Reber, Reber Systematik*

They considered, as regards the proceedings before the EPO, that they were not competent to examine complaints against international organisations that were not parties to the ECHR in their own right. It was, however, noted that the transfer of powers from the ECHR State to an international organisation (such as the EPO) did not altogether exclude that State's responsibility under the Convention, making it dependent on the level of fundamental rights protection in that organisation. Given though that the European Patent Convention provided, according to the Commission and the Court, for an 'equivalent protection' as regards the ECHR,[112] any transfer of powers to it was compatible with the ECHR.

The ensuing lack of human rights (or other judicial control) over the EPO was critically assessed by some commentators who expressed concerns that, while 'the national patent laws of European's various nations must all operate in accordance with principles of human rights … no such check is placed upon the operations of the European Patent Office itself'.[113] It was emphasised, however, in the latest of the ECtHR decisions on the EPO, that the presumption of 'equivalent protection' can be rebutted if in the circumstances of a particular case it is considered that the protection of Convention rights is manifestly deficient.[114]

GmbH and Kinkel v. Germany (dec.), no 27410/95, 12 April 1996, CE:ECHR:1996:0412DEC002741095; ECommHR, *Lenzing AG v. Germany* (dec.), no 39025/97, 9 September 1998, CE:ECHR:1998:0909DEC003902597; ECommHR, *Lenzing AG v. the United Kingdom* (dec.), no 38817/97, 9 September 1998, CE:ECHR:1998:0909DEC003881797; ECtHR, *Rambus Inc. v. Germany* (dec.), no 40382/04, 16 June 2009, CE:ECHR:2009:0616DEC004038204.

[112] On the observance of human rights in the EPO practice, see A Kupzok, 'Human Rights in the Case Law of the EPO Boards of Appeal', in Ch Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property supra* note 1, 311.

[113] J Phillips, 'EPO not Bound by Human Rights Convention' (IPKat, 23 November 2004) <http://ipkitten.blogspot.fr/2004/11/epo-not-bound-by-human-rights.html> accessed December 2017. More generally, criticising the lack of judicial review of the EPO decisions, see J Pagenberg, 'The ECJ on the Draft Agreement for a European and Community Patent Court – Hearing of May 18, 2010' (2010) 41(6) IIC 695, 700–705.

[114] ECtHR, *Rambus Inc. v. Germany* (dec.), no 40382/04, 16 June 2009, CE:ECHR:2009:0616DEC004038204, para 1.

2. FREEDOM OF EXPRESSION AND INFORMATION AS A COUNTERWEIGHT TO IP PROTECTION (BUT ALSO AS GROUNDS FOR IT?)

In addition to the right to property protection for intellectual property, the ECHR safeguards a series of other fundamental rights of relevance for IP which have equal (if not higher) value[115] and against which IP needs to be balanced. The first of these rights is without doubt the right to freedom of expression and information (guaranteed under Article 10 ECHR).[116] The claims of users form the vast majority of disputes brought to the Convention organs under this right. On a few occasions, however, Article 10 ECHR was also invoked by the rightholders themselves either as grounds for stronger protection of their, essentially economic,

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[115] On the hierarchy of the ECHR rights, see P Ducoulombier, 'Interaction between Human Rights: Are All Human Rights Equal?', in Ch Geiger (ed), *Research Handbook on Human Rights and Intellectual Property supra* note 1, 39, observing in particular at pp. 45–46 that the 'strength' of Convention rights can be determined based on the scope of the margin of appreciation allocated to States in relation to each such right and noting that, following this logic, the Convention property provision ('in respect of which the margin usually deploys its full effect') is inferior to, among others, the right to freedom of expression and the right to the protection of private life ('for which the margin plays an important albeit variable role'). The freedom of expression specifically, indeed, benefits from a privileged position in the European constitutional order, constituting, according to the Strasbourg Court, 'one of the essential foundations of [a democratic] society, one of the basic conditions for its progress and for the development of every man' (ECtHR, *Handyside v. United Kingdom*, no 5493/72, 7 December 1976, CE:ECHR:1976:1207JUD000549372, para 49). Article 10 ECHR is sometimes even called the 'European First Amendment' (D Voorhoof, 'Het Europese "First Amendment": de vrijheid van expressie en informatie en de rechtspraak van het EHRM betreffende art. 10 EVRM (1994-1995)', *Mediaforum (Amsterdam)* 11 (1995); Ch Geiger, *Droit d'auteur et droit du public à l'information, approche de droit comparé* (Paris, Litec, 2004) 166.

[116] Freedom of artistic creativity, equally protected by Article 10 ECHR, is also potentially affected by copyright law, as many cases at national level have shown (see on this issue Ch Geiger, 'Freedom of Artistic Creativity and Copyright Law: A Compatible Combination?', Centre for International Intellectual Property Studies Research Paper No 2017-08; 8(3) U.C. Irvine L Rev (forthcoming 2018) <https://ssrn.com/abstract=3053980> accessed December 2017. If the ECtHR had not yet to decide on the conflict, it is likely that cases involving freedom of artistic creativity will be brought in the future before the Court, in particular with the rise of digital reproduction techniques and their increasing use in contemporary art and music.

interests[117] or to justify the right to express oneself via trademark registration.[118]

The only two areas of IP law which have so far given rise to proceedings under the ECHR's right to freedom of expression are copyright (2.1.) and trademarks (2.2.), although a claim on a potential violation of freedom of expression and information in the field of trade secrets is currently (as of June 2018) pending before the Court.[119]

2.1 The Impact of the Convention's Right to Freedom of Expression on Copyright Law

The oldest type of conflict between IP and HRs that the ECtHR has faced in its practice concerns copyright and freedom of expression. Already in 1968 – some ten years after the Convention enforcement mechanism, the European Court of Human Rights, was incepted – the Convention institutions had to decide on the compatibility of copyright protection for compilations of television programmes with Article 10 of the Convention.[120] Over the years, the conflict has developed from being more or less ignored by the Convention institutions (2.1.1.) to its full acknowledgement in the wake of the expansion of copyright protection

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[117] See the *AEPI* case discussed below in section 2.1.3. The idea also exists that, insofar as copyright is 'the engine of free expression' (US Supreme Court, *Eldred v. Ashcroft*, 537 U.S. 186, at 219 (2003)), freedom of expression could support, in theory, a protection claim. However, it is likely that 'the engine' argument is more suitable to provide a justification for the protection of the rights of users rather than those of copyright holders, as this argument explains the rationale for (or goal of) the grant of protection: it does not address the nature of the right at stake. Thus, property protection for IP may well be argued to ultimately advance freedom of expression interests. This is, essentially, what stands behind the utilitarian theories on the justification of copyright protection. It is in this spirit, for instance, that the protection of arts and sciences is understood in the American Constitution as the purpose behind the grant of economic (most frequently property) rights to the holders of copyrights and patents (Section 8, Clause 8 of the US Constitution).

[118] See the cases discussed in section 2.2.2 below.

[119] ECtHR, *Diasamidze and Batumelebi v. Georgia and 1 other application*, nos 49071/12 and 51940/12, communicated on 14 September 2016.

[120] See ECommHR, *N.V. Televizier v. the Netherlands* (report (30)), no 2690/65, 3 October 1968, CE:ECHR:1968:1003REP000269065, discussed below. The ECtHR was established on 21 January 1959, when the first members of the Court were elected by the Consultative Assembly of the Council of Europe (Council of Europe, 'The Court in Brief' <http://www.echr.coe.int/Documents/Court_in_brief_ENG.pdf> accessed December 2017).

and its enforcement mechanisms in the digital environment (2.1.2.). Furthermore, as already mentioned, Article 10 was scrutinised for not only its potential to further wider public access to protected works, but also from the standpoint of its capacity to provide an even stronger protection to the exclusive rights of IP holders (2.1.3.).

2.1.1 Emergence of a conflict: Copyright's monopoly on information and the freedom of expression of 'infringers'

The first Convention case on copyright and freedom of expression (and on a conflict of IP and HRs in general), *N.V. Televizier v. the Netherlands*,[121] arose out of a complaint filed with the Strasbourg Court by the Dutch publisher of a weekly magazine *Televizier* which contained details on forthcoming radio and television programmes of the country's five different broadcasting corporations. In respect of Televizier's publications of these programmes, civil proceedings were instituted against the applicant company by those broadcasters and an organisation which periodically made compilations of their programmes called *Centraal Bureau voor den Omroep in Nederland* (Dutch Central Broadcasting Office). It was alleged in those proceedings that the applicant, when publishing information about forthcoming radio and television programmes, had made use of the compilations of the Broadcasting Office, in violation of the Dutch Copyright Act of 1912. Reference was made to Article 10 of this Act which conferred protection even on works in writing which were not of a distinctive or personal character. After a series of court decisions, the Netherlands Supreme Court eventually affirmed the Broadcasting Office's (but not the corporations') copyright in the compilations, having considered that copyright in a text lacking personal character could be violated not only by a literal reproduction of the text but also by its reproduction in a revised form.[122]

Televizier contested this finding before the ECtHR, maintaining that, as a consequence of the Supreme Court's decision, broadcasting corporations, which also published weekly magazines or had financial interest

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[121] ECommHR, *N.V. Televizier v. the Netherlands* (report (30)), no 2690/65, 3 October 1968, CE:ECHR:1968:1003REP000269065. On this case, see Harvard Law Review Association, 'International Law – European Convention on Human Rights – Commission Decides to Consider Dutch Copyright Decision Challenged on Freedom of Expression Grounds' (1967) 80 Harvard Law Review 1798; and M B Nimmer, 'Does Copyright Abridge the First Amendment Guarantees of Free Speech and Press?' (1970) 17 UCLA Law Review 1180, 1185.

[122] Supreme Court of the Netherlands (*Hoge Raad der Nederlanden*), judgment of 25 June 1965.

in such magazines, had an unjustifiable monopoly over the news services in the Netherlands regarding forthcoming radio and television programmes. This amounted, in the applicant company's opinion, to a violation of Article 10 (freedom of expression) of the Convention.

The Commission declared the application admissible as giving rise to a number of important issues regarding the interpretation of the Convention and held that the applicant company was to be considered a 'victim' within the meaning of the Convention.[123] However, the case never made it to the merits since an out-of-court settlement was reached between the parties.[124] It appears that the magazine *Televizier* was absorbed into one of the five broadcasting corporations and was thereafter allowed to publish the complete programmes of all broadcasting organisations. Furthermore, the relevant provisions of the 1912 Copyright Act, on which the proceedings against the applicant company were based, were replaced by new legislation (notably the new Broadcasting Act of 1967). The latter envisaged that the newly created coordinating broadcasting authority – Netherlands Broadcasting Foundation (*Nederlandse Omroep Stichting*, NOS) – was to compile the complete programme listings on information supplied by various licenced broadcasting organisations. It then had to make available those listings to all broadcasting organisations for reproduction and publication in their own programme magazines. In addition, short summaries of the lists were to be sent to daily newspapers and those appearing at least three times a week and also to certain foreign publishers. Pursuant to Article 22 of the Broadcasting Act, any other reproduction or publication of these lists without the consent of the broadcasting authority constituted an infringement of copyright and entailed civil liability.

Thus, the new legislative arrangement did not completely solve the problem from which the Televizier application to the ECtHR arose. This subsequently resulted in a challenge of this new legislation (together with the Supreme Court's interpretation of the 1912 Netherlands Copyright Act in *Televizier*) by another company on analogous grounds.

This time the challenge involved the publisher of weekly 'general interest' magazines in the Netherlands, De Geïllustreerde Pers N.V., whose petition for distributing through these magazines complete lists of television and radio programme data was refused with reference to the

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[123] ECommHR, *N.V. Televizier v. The Netherlands* (dec.), no 2690/65, 15 December 1966, CE:ECHR:1966:1215DEC002690065.

[124] ECommHR, *N.V. Televizier v. the Netherlands* (report (30)), no 2690/65, 3 October 1968, CE:ECHR:1968:1003REP000269065.

aforementioned legislation.[125] The applicant company brought its case before the Commission complaining that such a refusal constituted an unjustified interference with its right to freely receive and impart information as guaranteed by Article 10 ECHR.[126]

Whereas the Commission declared the application admissible as 'rais-[ing] substantial issues of law and of fact',[127] it nevertheless concluded that there had been no violation of the Convention. It first considered that the freedom to impart information of the kind that was at issue in the applicant's case could only be granted to 'the author, the originator or otherwise the intellectual owner' of it.[128] As a result, there had been no interference with the applicant company's rights since it had been prevented from publishing the information which it did not yet have in its possession.[129] It was further noted that the free flow of such information had not been jeopardised in any way as the public in general was able to inform itself about the programme schedule through a variety of other

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[125] ECommHR, *De Geïllustreerde Pers N.V. v. the Netherlands* (report (31)), no 5178/71, 6 July 1976, CE:ECHR:1976:0706REP000517871. On this case, see P B Hugenholtz, 'Copyright and Freedom of Expression in Europe' *supra* note 15, 12; L R Helfer and G W Austin, *Human Rights and Intellectual Property supra* note 28, 261–263, 273, 277–279; and Ch Beat Graber, 'Copyright and Access – A Human Rights Perspective', in C B Graber et al. (eds), *Digital Rights Management: The End of Collecting Societies?* (Berne, Stämpfli Publishers, 2005) 71, 85.

[126] On the conflict between copyright and freedom of information as protected by Article 10 ECHR, see more generally Ch Geiger, *Droit d'auteur et droit du public à l'information supra* note 115; Ch Geiger, 'Author's Right, Copyright and the Public's Right to Information: A Complex Relationship', in F Macmillan (ed.), *New Directions in Copyright Law* (Vol. 5, Cheltenham, UK/ Northampton, MA, Edward Elgar Publishing, 2007) 24; P B Hugenholtz, 'Copyright and Freedom of Expression in Europe' *supra* note 15; A Strowel and F Tulkens, 'Freedom of Expression and Copyright under Civil Law: Of Balance, Adaptation, and Access', in J Griffiths and U Suthersanen (eds), *Copyright and Free Speech: Comparative and International Analyses* (Oxford, Oxford University Press, 2006) 287; E Izyumenko, 'The Freedom of Expression Contours of Copyright in the Digital Era: A European Perspective' (2016) 19(3–4) Journal of World Intellectual Property 115. For further references to numerous sources exploring the relationship between copyright and freedom of expression, see Y Harn Lee, *Copyright and Freedom of Expression: A Literature Review* (CREATe Working Paper 2015/04, May 2015).

[127] ECommHR, *D.G.P.N.V. v. The Netherlands* (dec.), no 5178/71, 12 October 1973, CE:ECHR:1973:1012DEC000517871.

[128] ECommHR, *De Geïllustreerde Pers N.V. v. the Netherlands* (report (31)), no 5178/71, 6 July 1976, CE:ECHR:1976:0706REP000517871, para 84.

[129] Ibid.

sources.[130] Finally, the Commission considered that the mere commercial interest of the applicant company which might have been compromised by its competitive disadvantage with regard to other magazines could not be regarded as falling within the scope of Article 10 ECHR.[131]

As Prof. Hugenholtz observed in his seminal work on 'Copyright and Freedom of Expression in Europe', the 'Commission's conclusion that third parties may never invoke Article 10 freedoms with respect to "single-source" data is obviously erroneous', as '[f]reedom of expression under Article 10 is not confined to speech that is original with the speaker'.[132]

Nevertheless, the Commission's pronouncement in *De Geïllustreerde Pers N.V.* on the conflict of copyright with freedom of information remained the sole authority on the subject for around twenty years.

It was not until the end of the 1990s when the conflict was brought up again, this time in the context of a claim by the French public national television channel, France 2.[133] The latter broadcasted in November 1988, as part of a theatrical news television programme devoted to a famous actress, an information report on the restoration of a theatre on the Champs-Elysées. In that report, the camera filmed for a few moments (forty-nine seconds) the wall frescoes of the painter Edouard Vuillard. On those grounds the painter's assigns filed, via the copyright collecting society SPADEM (Société de la Propriété Artistique et des Dessins et Modèles), a claim for damages for the broadcast of works without payment of royalties.

The High Court of Paris first found against the painter's estate[134] on the grounds that the presentation of the paintings amounted to a 'brief

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130 Ibid., para 86.

131 Ibid., paras 87–88.

132 P B Hugenholtz, 'Copyright and Freedom of Expression in Europe' *supra* note 15, 12.

133 ECommHR, *Société Nationale de Programmes FRANCE 2 v. France* (dec.), no 30262/96, 15 January 1997, CE:ECHR:1997:0115DEC003026296 (available only in French). On this case, see P B Hugenholtz, 'Copyright and Freedom of Expression in Europe' *supra* note 15, 12–13; A Strowel and F Tulkens, 'Freedom of Expression and Copyright under Civil Law' *supra* note 126, 306–307; L R Helfer and G W Austin, *Human Rights and Intellectual Property supra* note 28, 263–264; Ch Geiger and E Izyumenko, 'Copyright on the Human Rights' Trial: Redefining the Boundaries of Exclusivity through Freedom of Expression' (2014) 45(3) IIC 316, 332–333; Ch Beat Graber, 'Copyright and Access – A Human Rights Perspective' *supra* note 125, 85–86.

134 The High Court of Paris (*Tribunal de grande instance de Paris*), judgment of 15 May 1991.

quotation'[135] justified by the critical or informatory nature of the television report in which they were incorporated. This judgment was, however, overturned on appeal,[136] France 2 being ordered to pay 12,000 francs in damages. According to the appellate court, since some of the painter's frescoes were shown in their entirety, their representation could not amount to a 'brief quotation'. Having found that the frescoes were not part of the decor of the theatre to the restoration of which the broadcast was devoted, the appellate court held that the communication to the public of the frescoes of Vuillard was not justified on this occasion by the informational character of the work in which their representation was incorporated. The applicant's subsequent appeal to the French Supreme Court was equally unsuccessful,[137] the latter finding that the integral representation of a work, whatever its form and duration, could not be regarded as a brief quotation within the meaning of the French Intellectual Property Code.

France 2 then appealed to the European Commission of Human Rights, arguing that the Supreme Court's decision, which precluded the television channel from exercising the right of quotation in artistic matters, violated its right to freedom of expression.

The Commission first noted that 'the facts complained of by the applicant constitute[d] an interference with the applicant's right to freely communicate information'.[138] It then established without difficulty that the interference was prescribed by law, namely, the national copyright law provisions on the rights of exploitation, and that the text of those provisions was 'adequately accessible' to and easily foreseeable for the applicant – 'a television channel, whose activity is directly related to the legislation on intellectual property'.[139] As to the purpose of interference, the Commission considered that it was 'intended to protect the rights of others, in particular the rights of authors of literary and artistic works'.[140]

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[135] Within the meaning of an internal exception to copyright envisaged in Article 41(3) of the French Law on Literary and Artistic Property of 11 March 1957 (since 1 July 1992 incorporated in Article L. 122-5(3)(a) of the French Intellectual Property Code of 1 July 1992, <http://www.wipo.int/wipolex/en/text.jsp?file_id=322949> accessed December 2017 (available only in French).

[136] The Paris Court of Appeal (*Cour d'appel de Paris*), judgment of 7 July 1992.

[137] The French Supreme Court (*Cour de cassation*), judgment of 4 July 1995.

[138] ECommHR, *Société Nationale de Programmes FRANCE 2 v. France* (dec.), no 30262/96, 15 January 1997, CE:ECHR:1997:0115DEC003026296 (available only in French), translation by the authors.

[139] Ibid.

[140] Ibid.

The core of the analysis then centred, as is often the case, on the question of proportionality. In this regard, the European Commission pointed out that:

> it is not required to decide whether the decision was consistent with domestic law, but to consider it with reference to Article 10 ... of the Convention. The Commission is not therefore required to decide on the interpretation of the notion of 'brief quotation'. It also recalls that it is normally not for the Convention organs to resolve, under paragraph 2 of Article 10 ..., the conflicts which may arise between, on the one hand, the right to freely communicate information and, on the other hand, the right of authors whose works are communicated. The Commission must assess whether there is a proportional link between the limitation to the above-mentioned freedom of the applicant and the interests protected by this limitation.
>
> The Commission notes that the applicant was ordered to pay damages because of the absence of the payment of royalties due to the author of the frescoes, which have been fully disseminated. Given the circumstances of the case, the Commission considers that it was reasonable for the relevant domestic courts, in the interest of the author and his assigns, to take account of the rights of these latter over the works, which have been after all freely disseminated by the applicant.
>
> Consequently, the Commission considers that the restriction or penalty at issue constituted a measure necessary in a democratic society to protect the rights of others.[141]

Like the *De Geïllustreerde Pers N.V.* ruling, the Commission's reasoning in *France 2* has since then been criticised in the literature, this time for the Commission's excessive cautiousness in intervening in the area of copyright from the external freedom of expression perspective.[142]

However, if compared to the first two decisions on copyright and freedom of expression about the broadcasting organisations' monopoly in television listings, the analysis in *France 2* might appear as a step forward, as it was admitted by the Convention organ that copyright regulation constitutes an 'interference' with the right to freedom of expression and information and is hence not immune, as it is often argued, from an external human rights review.[143]

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[141] Ibid.

[142] P B Hugenholtz, 'Copyright and Freedom of Expression in Europe' *supra* note 15, 13; Ch Beat Graber, 'Copyright and Access – A Human Rights Perspective' *supra* note 125, 86.

[143] In fact, courts in Europe, in the US and elsewhere have for a long time been very reluctant to admit any freedom of expression defence outside copyright law, considering that any potential conflict has been addressed already

A real breakthrough in the Court's treatment of the free expression/copyright conflict had not followed until recently, however, when the ECtHR had to face the problems posed by copyright enforcement to the free flow of information in the new digital environment.

2.1.2 Further development of the 'infringers' argument in the digital environment: File-sharing on the Internet and website blocking

As mentioned above, the latest developments in the Convention copyright / freedom of expression case law all concern, unsurprisingly, the measures of copyright enforcement online.[144] In the past few years, the Court has addressed the questions of potentially excessive copyright enforcement techniques and their effects on the Convention right to freedom of expression and information on three occasions.

The first two cases rendered almost simultaneously in early 2013 pertained to the issues of unauthorised dissemination of copyright-protected works on the Internet. One of those, *Ashby Donald and Others v. France*,[145] concerned the conviction in France for copyright infringement by three fashion photographers, one of whom had taken photographs of Paris fashion shows and posted them on a website of the

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by legislatures internally through the legal boundaries of the exclusive right (see e.g. *Dallas Cowboys Cheerleaders, Inc. v. Scoreboard Posters, Inc.*, 600 F.2d 1184 (5th Cir. 1979), at 1188 ('[t]he first amendment is not a licence to trammel on legally recognized rights in intellectual property'); *Harper & Row Publishers Inc. v. Nation Enterprises*, 471 U.S. 539 (1985) (copyright is 'categorically immune' to free speech); *Television New Zealand Ltd. v. Newsmonitor Services Ltd.* [1994] 2 *NZLR* 91; French Supreme Court, '*Tuileries*', 4 July 1995, 167 *RIDA* 259; German Federal Court of Justice, '*CB-Infobank I*', 16 January 1997, *GRUR* 459 (1997); Austrian Supreme Court, '*Karikaturwiedergabe*', 9 December 1997, *GRUR Int.* 896 (1998)).

[144] See, for an analysis of the influence of the right to freedom of expression and information on European copyright law in the digital context, E Izyumenko, 'The Freedom of Expression Contours of Copyright in the Digital Era' *supra* note 126.

[145] ECtHR, *Ashby Donald and Others v. France*, no 36769/08, 10 January 2013, CE:ECHR:2013:0110JUD003676908 (available only in French). For an assessment of this case, see Ch Geiger and E Izyumenko, 'Copyright on the Human Rights' Trial' *supra* note 133; D Voorhoof and I Høedt-Rasmussen, 'ECHR: Copyright vs. Freedom of Expression' (Kluwer Copyright Blog, 25 January 2013) <http://copyrightblog.kluweriplaw.com/2013/01/25/echr-copyright-vs-freedom-of-expression/> accessed December 2017; P L C Torremans, 'Ashby Donald and Others v France, Application 36769/08, EctHr, 5th section, Judgment of 10 January 2013' (2014) 4(1) Queen Mary Journal of Intellectual

applicants' online fashion magazine. Since the pictures were published without authorisation from the fashion houses concerned, the latter, together with the French Fashion Federation, filed a suit for copyright infringement. The three photographers based their defence on Article 10 ECHR and Article L. 122-5 9° of the French Intellectual Property Code (an internal copyright exception allowing the reproduction of artistic works for news reporting), but ultimately lost in national proceedings, as the national courts considered Article L. 122-5 9° inapplicable to the creations of designers and fashion houses, even though the latter were also protected under the French copyright law. As a result, the applicants were ordered to pay fines and damages totalling more than 250,000 euros.

In the wake of that national courts' decision, the photographers applied to the Strasbourg Court, insisting that the fashion photographs contained information of general public interest and that the posting thereof on a website, even for sale, amounted to a proportionate exercise of freedom of expression.

A similar issue of conflicting copyright and freedom of expression arose almost simultaneously before the ECtHR in another high-profile dispute on application by two co-founders of the notorious 'The Pirate Bay' (TPB) file-sharing service who were criminally charged in Sweden for contributing through their service to the infringement of copyright concerning music, films and computer games by other persons.[146] As in

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Property 95; A Strowel, 'Pondération entre liberté d'expression et droit d'auteur sur Internet: de la réserve des juges de Strasbourg à une concordance pratique par les juges de Luxembourg' (2014) 100 Revue Trimestrielle des Droits de l'Homme 889; F Marchadier, 'Le conflit entre le droit d'auteur et la liberté d'expression devant la Cour Européenne des Droits de l'Homme' (2013) 304 Légipresse 221; and A Zollinger, 'Droit d'auteur et liberté d'expression: le discours de la méthode (Commentaire CEDH, 10 janv. 2013, n° 36769/08, Ashby Donald et a. c/ France)' (2013) 5 Propr. intell. 7.

[146] ECtHR, *Neij and Sunde Kolmisoppi v. Sweden* ['*The Pirate Bay*'] (dec.), no 40397/12, 19 February 2013, CE:ECHR:2013:0219DEC004039712. For comments on this case, see Ch Geiger and E Izyumenko, 'Copyright on the Human Rights' Trial' *supra* note 133; D Voorhoof and I Høedt-Rasmussen, 'ECHR: Copyright vs. Freedom of Expression II (The Pirate Bay)' (Kluwer Copyright Blog, 20 March 2013) <http://copyrightblog.kluweriplaw.com/2013/03/20/echr-copyright-vs-freedom-of-expression-ii-the-pirate-bay/> accessed December 2017; J Jones, 'Internet Pirates Walk the Plank with Article 10 Kept at Bay: Neij and Sunde Kolmisoppi v Sweden' (2013) 35(11) EIPR 695; and A Strowel, 'Pondération entre liberté d'expression et droit d'auteur sur Internet' *supra* note 145.

the case with the French photographers, the national proceedings ended unfavourably for 'The Pirate Bay' co-founders, the latter receiving prison sentences of ten and eight months respectively, together with joint liability for damages amounting to approximately five million euros. According to the Swedish courts, TPB had furthered illegal file-sharing in such a way that the persons responsible for the website became criminally liable.[147]

Similarly to the applicants in *Ashby Donald*, TPB co-founders then sought justice in the ECtHR. They maintained that Article 10 ECHR enshrined the right to offer an automatic service of transferring unprotected material between users, in line with the basic principles of freedom of communication on the Internet, and that convicting the persons responsible for that service for the acts committed by its users ran afoul of those principles.

The ECtHR held in each case that the applicants' convictions constituted an interference with Article 10 ECHR. Although ultimately finding no violation of that provision, the Court engaged in an elaborated analysis of the proportionality of interference with regard to the aim of copyright protection, thereby departing from its previous reluctance expressed in *France 2* to resolve 'the conflicts which may arise between, on the one hand, the right to freely communicate information and, on the other hand, the right of authors whose works are communicated'.[148] According to the ECtHR, the factors that stood against the applicants were the commercial character of their expression[149] and the fact that the information contained in the shared material did not contribute, contrary to what the applicants in *Ashby Donald* (in

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[147] Notably, the Court of Appeal pointed out that TPB had created the possibility to upload and store torrent files, a database and a tracker-function, and thus had not merely offered transfer of data or *caching*. The Court of Appeal also noted that the defendants had committed offences intentionally and had not taken any precautionary measures, while the torrent files, which referred to copyright-protected material, had not been removed despite warnings and requests that they do so.

[148] ECommHR, *Société Nationale de Programmes FRANCE 2 v. France* (dec.), no 30262/96, 15 January 1997, CE:ECHR:1997:0115DEC003026296 (available only in French), translation by the authors.

[149] ECtHR, *Ashby Donald and Others v. France*, no 36769/08, 10 January 2013, CE:ECHR:2013:0110JUD003676908 (available only in French), para 39; and, somewhat implicitly, ECtHR, *Neij and Sunde Kolmisoppi v. Sweden* ['*The Pirate Bay*'] (dec.), no 40397/12, 19 February 2013, CE:ECHR:2013:0219 DEC004039712.

particular) have claimed, to the general debate of public interest[150] and '[could not] reach the same level [of protection] as that afforded to political expression and debate'.[151] Furthermore, restrictions on Article 10 were all the more justified by the fact that the proprietary interests of copyright holders were equally protected by the Convention by virtue of the applicability to intellectual property of Article 1 of Protocol No. 1 (protection of property) to the ECHR.[152] The Court also pronounced on the 'nature and severity of the penalties imposed'[153] on the applicants, having considered that in neither case could those penalties be regarded as disproportionate.[154]

The Court's analysis in *Ashby Donald* and '*TPB*' denoted a prominent and important shift. The ECtHR made it clear that even *illegal* and *profit-making* sharing of copyright-protected material was not devoid of the freedom of expression guarantees and that, in certain circumstances, it was simply impossible to ignore the freedom of expression checks to assess what impact the copyright legal framework had on the enjoyment of human rights in Europe.[155]

The eagerness of the Court to give more scrutiny, from the external human rights perspective, to internal copyright regulation manifested itself once again in yet another Article 10 decision rendered one year

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[150] ECtHR, *Ashby Donald and Others v. France*, no 36769/08, 10 January 2013, CE:ECHR:2013:0110JUD003676908 (available only in French), para 39.

[151] ECtHR, *Neij and Sunde Kolmisoppi v. Sweden* ['*The Pirate Bay*'] (dec.), no 40397/12, 19 February 2013, CE:ECHR:2013:0219DEC004039712.

[152] See section 1 above.

[153] ECtHR, *Neij and Sunde Kolmisoppi v. Sweden* ['*The Pirate Bay*'] (dec.), no 40397/12, 19 February 2013, CE:ECHR:2013:0219DEC004039712.

[154] In the TPB case that conclusion was reached on consideration of 'the fact that the domestic courts found that the applicants had not taken any action to remove the torrent files in question, despite having been urged to do so. Instead they had been indifferent to the fact that copyright-protected works had been the subject of file-sharing activities via TPB' (ECtHR, *Neij and Sunde Kolmisoppi v. Sweden* ['*The Pirate Bay*'] (dec.), no 40397/12, 19 February 2013, CE:ECHR:2013:0219DEC004039712). As regards the French photographers, the Court reasoned, rather surprisingly, that the applicants 'have not produced any evidence' proving that the substantial criminal fines imposed on them had 'financially strangled' them (ECtHR, *Ashby Donald and Others v. France*, no 36769/08, 10 January 2013, CE:ECHR:2013:0110JUD003676908 (available only in French), para 43, translation by the International Review of Intellectual Property and Competition Law: 45(3) IIC 354 (2014)).

[155] For a joint analysis of the *Ashby Donald* and '*TPB*' rulings, see Ch Geiger and E Izyumenko, 'Copyright on the Human Rights' Trial' *supra* note 133.

after the cases discussed above. *Akdeniz v. Turkey*[156] concerned the blocking of access in Turkey, at the request of the Professional Union of Phonogram Producers, to the websites myspace.com and last.fm on the grounds that they were disseminating musical works in violation of copyright. The applicant – that had applied to the ECtHR as a regular user of the websites in question – complained about the collateral effects of blocking, which according to him amounted to a disproportionate response in light of Article 10 ECHR. Like in *Ashby Donald* and *'TPB'*, the Court engaged in the proportionality evaluation, providing certain guidance on how this type of conflict can be approached from the freedom of expression standpoint. Although on the substance the application was declared inadmissible for the applicant's lack of victim status,[157] the ECtHR implied that the outcome might have been different depending on how the website was used (actively or passively),[158] collateral effects of the blocking on legitimate content,[159] the value of the blocked information in terms of its contribution to a debate on a matter of general interest,[160] availability of alternative means of accessing that information,[161] and the comparative importance of IP as a human right against which the rights of the Internet users had to be balanced.[162]

2.1.3 Freedom of expression as a restriction to access: Article 10 invoked on the part of the rightholders

As already stated in the introduction to this section, the freedom of expression was not always invoked before the ECtHR as a justification for broader access to protected works. Quite to the contrary, on certain occasions, Article 10 was raised by the rightholders in an attempt to further stronger and broader protection. For example, in the case of *AEPI*

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[156] ECtHR, *Akdeniz v. Turkey* (dec.), no 20877/10, 11 March 2014, CE:ECHR:2014:0311DEC002087710 (available only in French). On this case, see Ch Geiger and E Izyumenko, 'The Role of Human Rights in Copyright Enforcement Online: Elaborating a Legal Framework for Website Blocking' (2016) 32(1) American University International Law Review 43; and A Strowel, 'Pondération entre liberté d'expression et droit d'auteur sur Internet' *supra* note 145, 890–895, 909.

[157] ECtHR, *Akdeniz v. Turkey* (dec.), no 20877/10, 11 March 2014, CE:ECHR:2014:0311DEC002087710 (available only in French), para 29.

[158] Ibid., para 27.

[159] Ibid., para 28.

[160] Ibid., para 26.

[161] Ibid., para 25.

[162] Ibid., para 28.

S.A.,[163] the lack of protection for all musical works administered by the Greek collecting society AEPI (Hellenic Society for the Protection of Intellectual Property) for a period during which it could not secure an approval from the Ministry of Culture was challenged by AEPI on the freedom of expression grounds. The collecting society complained that, for the time that its request for approval was pending before the Ministry of Culture, it was unable to sue on behalf of its members and ensure that their works were not disseminated without paying the royalties. AEPI maintained that artistic expression, including music, was an integral part of the rights protected by Article 10 ECHR and that this protection encompassed the right of the creator of a literary or artistic work to exercise 'a total control over such work, as desired'.[164] According to the applicant, it followed that 'no one [could] break by whatever means the link between the creator and his work, for example, by disseminating the work without the rightholder's permission'.[165]

The ECtHR rejected this overbroad reading of Article 10, but did so not for reasons pertaining to the substance of the applicant organisation's complaint, but rather because the Court did not consider the applicant – a legal entity – eligible to raise this sort of action:

> The Court does not lose sight of the fact that the applicant, as a legal entity, does not purport to be itself a victim of a violation of the right guaranteed by Article 10, since the restrictions referred by it – namely the dissemination of musical works without appropriate authorisation – affected the artist members of the AEPI but not the AEPI itself. It also notes that Law no. 2121/1993 [on Copyright, Related Rights and Cultural Matters] itself distinguishes between property rights (Article 3 of the Law) and moral rights (Article 4) of the creators of works of art. Articles 54 and 55 of this Law entrust organisations such as the applicant the management of only the property rights of the artists, and not their moral rights, which are closely related to the creators' personality. Moreover, Article 12 § 2 of Law no. 2121/1993 provides that the moral right cannot be transferred. The applicant cannot, therefore, be considered a victim of a violation of Article 10 in this case.[166]

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[163] ECtHR, *AEPI S.A. (société hellénique pour la protection des droits d'auteur) v. Greece* (dec.), no 48679/99, 3 May 2001, CE:ECHR:2001:0503 DEC004867999 (available only in French).

[164] Ibid., para 3, translation from French by the authors.

[165] Ibid.

[166] Ibid.

It is notable, however, that the Court did not exclude the possibility for the *authors* to raise the claim under Article 10 in order to restrict access to their works in circumstances analogous to those surrounding the claim by AEPI.

2.2 Freedom of Expression in the Trademark Context

In addition to copyright, another intellectual property right with which the right to freedom of expression comes into potential conflict is the right to the protection of trademarks. So far, the interplay of trademarks and free speech gave rise to two types of disputes before the Convention institutions: those pertaining to unauthorised use of trademarks by third parties for socially important purposes, including parodic criticism (2.2.1.); and the claims coming from the potential trademark holders themselves challenging the refusals of their applications for trademark registrations (2.2.2.).

2.2.1 Unauthorised trademark use and its justifiability on the basis of free expression

Only once was the use of a trademark for parodic criticism tested on freedom of speech grounds before the Convention organs. This was on application, in the beginning of the 1990s, to the European Commission by an Austrian anti-smoking association and its chairman.[167] The association had, as part of an advertising campaign against smoking, sold pamphlets, posters and stickers showing the caricature of a skeleton which, riding a camel, held a cigarette in front of it. Underneath this picture, the following slogan was written: 'ONLY A CAMEL WALKS MILES FOR A CIGARETTE'.[168] A lawsuit was then filed by an international tobacco company against the applicants requesting that they refrain from using the slogan and pay compensation. According to the company, the publicity distorted its advertising slogan 'I walk miles for a

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[167] ECommHR, *Österreichische Schutzgemeinschaft für Nichtraucher and Robert Rockenbauer v. Austria* (dec.), no 17200/90, 2 December 1991, CE:ECHR:1991:1202DEC001720090. On this case, see W Sakulin, *Trademark Protection and Freedom of Expression – An Inquiry into the Conflict between Trademark Rights and Freedom of Expression under European Law* (The Hague / London / New York, Kluwer Law International, 2010), 284–286.

[168] 'NUR EIN KAMEL GEHT MEILENWEIT FÜR EINE ZIGARETTE' in German. In German language, 'Kamel' in this context could be understood as a pejorative term for a person acting in a foolish or stupid manner.

CAMEL'[169] in a satirical and ironical manner, which could be understood as a disparagement of the company's products. After a series of the lower court decisions, the Austrian Supreme Court held against the applicants, imposing a prohibition on using the slogan and picture at issue as well as the words 'KAMEL' or 'CAMEL' in the applicants' anti-smoking publicity.[170] The Supreme Court considered in particular that a considerable part of the general public would understand the applicants' publicity as a clear allusion to the plaintiff's cigarettes as being especially strong and unhealthy and that the applicants had not been entitled to select the plaintiff's trademark in order to criticise tobacco products in general.

The applicants contested the impugned prohibition before the Commission of Human Rights, arguing that their rights under Article 10 ECHR had been violated. The Commission confirmed that the tobacco industry had to tolerate a public debate concerning the risks of smoking even if information about health risks was presented in an ironical or satirical manner.[171] Nevertheless, it found no reasons for using the plaintiff's particular cigarette brand, agreeing with the domestic courts' balancing of the plaintiff's reputation, the applicants' rights and the public interest in the dissemination of the slogan and caricature in question.[172] According to the Commission, by using the CAMEL trademark, 'the applicants had not merely informed the public about health risks of smoking in general, but presented their criticism in the form of a caricature with an ironical slogan distorting the plaintiff's trademarks and its advertising slogans'.[173] The Commission thus concluded that 'the Austrian court decisions, in particular the Supreme Court's decision ..., did not go beyond the margin of appreciation left to the national authorities in assessing the proportionality of an interference with the freedom of expression in accordance with Article 10 ... of the Convention'.[174]

It is notable that some fifteen years later the French Supreme Court took an opposite position in an identical dispute which also involved the CAMEL trademark and its use in a parody by an anti-smoking association. Unlike the European Commission of Human Rights, the French

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169 'Ich gehe meilenweit für eine CAMEL' in German.

170 Austrian Supreme Court (*Oberster Gerichtshof*), decision of 9 January 1990.

171 ECommHR, *Österreichische Schutzgemeinschaft für Nichtraucher and Robert Rockenbauer v. Austria* (dec.), no 17200/90, 2 December 1991, CE:ECHR:1991:1202DEC001720090, para 1.

172 Ibid.

173 Ibid.

174 Ibid.

court was ready to fully engage in the external evaluation of the compatibility of trademark law with freedom of expression, coming to the conclusion that freedom of expression justified the use of a trademark for the purposes of criticism.[175] Similarly, in other jurisdictions, starting at the beginning of the 2000s, courts began giving precedence to freedom of expression in cases on parodic use, for social criticism, of right-holders' well-known brands.[176]

Nevertheless, in the 1990s the Commission of Human Rights was of the opinion that only in exceptional circumstances could a trademark owner be obliged to accept a breach of his rights resulting from unauthorised trademark use. This position was even confirmed less than one year after the decision in CAMEL in another case concerning trademark use for socially important purposes – this time in drug prescriptions.[177]

The applicants were a physician, a pharmacist and a medical insurance fund who wanted to proceed with a specific manner of prescribing drugs. They planned to recommend the use of the drug Tanderil 'or equivalent other product' from an agreed list of drugs which were medically and pharmaceutically considered as being equivalent. The list was drawn up by a designated Dutch authority[178] and consisted of registered brand names and names of generic drugs. The applicants requested Ciba-Geigy, a pharmaceutical company who owned the trademark and name Tanderil

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[175] French Supreme Court, *CNMTR v. Société JT*, 19 October 2006 (Cass (F)). For an overview of a number of other decisions rendered in France that allowed freedom of expression to prevail in cases of trademark parodies, see Ch Geiger, 'Fundamental Rights, a Safeguard for the Coherence of Intellectual Property Law?' (2004) 35(3) IIC 268; and, from the same author, 'Trade Marks and Freedom of Expression – The Proportionality of Criticism' (2007) 38(3) IIC 317.

[176] See, on parodic reproduction of a brewery's trademark on T-shirts for the purposes of criticising racial exploitation, the Constitutional Court of South Africa, *Laugh It Off Promotions CC v. South African Breweries International (Finance) B.V. t/a Sabmark International*, CCT 42/04, 27 May 2005; and, on artistic use of Luis Vuitton's design in a painting critical of the society of consumerism, the Court of The Hague, *Nadia Plesner v. Louis Vuitton Malletier SA*, no 389526 / KG ZA 11-294, 4 May 2011.

[177] ECommHR, *Nijs, Jansen and the Onderlinge Waarborgmaatschappij Algemeen Ziekenfonds Delft-Schiedam-Westland U.A. v. the Netherlands* (dec.), no 15497/89, 9 September 1992, CE:ECHR:1992:0909DEC001549789. On this case, see W Sakulin, *Trademark Protection and Freedom of Expression supra* note 167, 259–261.

[178] That is, Netherlands Commission Information Drug Prices (*Commissie Voorlichting Prijzen Geneesmiddelen*).

in the Benelux, to provide them with a declaration that this procedure for prescribing drugs (to which the applicants sought to give publicity) was not contrary to the law and that the company would refrain from legal proceedings challenging it. Following Ciba-Geigy's refusal to agree, the applicants initiated court proceedings seeking a declaratory judgment on the same issue. Their claim was, however, rejected in all instances. Domestic courts, which based their decisions on the Benelux Court's interpretation of the relevant provision of the Uniform Benelux Trade Mark Act, stated that a use of a trademark in such a way that its owner would suffer damage was only permitted where such use could be justified by exceptional circumstances, which had not existed in the present case.

The applicants complained before the European Commission of Human Rights that the domestic courts' decision not to declare the drug prescription procedure lawful was contrary to Article 10 ECHR. As in the French case involving 'Camel' and an anti-smoking association, the Commission rejected the challenge, finding that 'the applicants could achieve their aim of reducing medical costs by phrasing medical prescriptions in such a way that the rights of trademark owners are respected, namely by the mere use of generic names in medical prescriptions'.[179] Accordingly, the fact that it was not permissible for the applicants to use and recommend the particular manner of drafting prescriptions [was] to be regarded as a proportionate restriction prescribed by law and [could] therefore be considered necessary in a democratic society for the protection of the rights of others'.[180]

As with the first ECHR cases on copyright and freedom of expression, the above-discussed approach of the Commission in Article 10 decisions on trademarks did not face a positive response in the literature.[181] It is, however, notable that in the 'Camel' case the ECtHR admitted that '[t]he decision of the Austrian courts prohibiting the applicants from using the words "CAMEL" or "KAMEL" as well as a particular slogan and picture in their publicity against smoking *constitute[d] an interference with their*

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[179] ECommHR, *Nijs, Jansen and the Onderlinge Waarborgmaatschappij Algemeen Ziekenfonds Delft-Schiedam-Westland U.A. v. the Netherlands* (dec.), no 15497/89, 9 September 1992, CE:ECHR:1992:0909DEC001549789, para 1.

[180] Ibid.

[181] See W Sakulin, *Trademark Protection and Freedom of Expression supra* note 167, 259–261 and 284–286.

right to freedom of expression'.[182] The Court had therefore allowed the freedom of expression defence as an external limit to trademark law. Furthermore, although no violation was established by the Convention institutions in the free speech/trademark cases, it might also be the case that nowadays the Court would decide similar types of disputes differently. This would be in line with the idea that the Convention is a 'living instrument which must be interpreted in the light of present-day conditions'.[183] New realities might require paying greater attention to the freedom of expression interests in the context of unauthorised trademark use than was considered necessary at the beginning of the 1990s. One factor pointing in this direction is the change in the position of the judiciary towards the relationship between trademarks and freedom of expression in several jurisdictions: as noted above, national courts (the French Supreme Court among them) are no longer reluctant to engage in reconsidering the scope of trademark protection through recourse to external freedom of expression checks and balances.

2.2.2 Refusal of trademark registration – a challenge to the trademark applicant's freedom of expression?

Unauthorised use is not the sole instance in which trademark protection might impact freedom of expression. A quite separate issue arises when national trademark offices refuse to register the signs of potential trademark holders on the grounds that such signs are either 'contrary to public policy or to accepted principles of morality'[184] or considered to be deceptive.[185] Freedom of expression is usually claimed in this context by

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[182] ECommHR, *Österreichische Schutzgemeinschaft für Nichtraucher and Robert Rockenbauer v. Austria* (dec.), no 17200/90, 2 December 1991, CE:ECHR:1991:1202DEC001720090, para 1 (emphasis added).

[183] See e.g. ECtHR, *Matthews v. the United Kingdom* [GC], no 24833/94, 18 February 1999, CE:ECHR:1999:0218JUD002483394, para 39, and other sources cited in footnote 40.

[184] On the EU level, this ground for refusal of trademark registration is enshrined in Article 7(1)(f) of the Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (codified version) (Text with European Economic Area (EEA) relevance), OJ No. L 78 of 24 March 2009, p. 1, ELI: <http://data.europa.eu/eli/reg/2009/207/2016-03-23>; and Article 4(1)(f) of the Directive (EU) No 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (Text with EEA relevance), OJ L 336 of 23 December 2015, p. 1, ELI: <http://data.europa.eu/eli/dir/2015/2436/oj>.

[185] Article 7(1)(g) of the Council Regulation No 207/2009 and Article 4(1)(g) of the Directive (EU) No 2015/2436.

trademark applicants to cover their freedom to use the signs applied for as trademarks.[186]

With respect to deceptive marks, the Strasbourg Court has recently pronounced on whether the refusal of their registration as trademarks violates the freedom of expression of trademark applicants in a case which concerned the figurative sign 'CRUCIFIX' sought to be registered in Romania.[187] The mark was a combination of a drawing[188] and the word 'crucifix' in a particular design and was intended to cover legal services. The National Trademark and Patent Office of Romania (OSIM) refused registration on the grounds that the mark was deceptive[189] and contrary to public order and morality.[190] With regard to the mark's

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[186] See on this issue Ch Geiger and L Pontes, 'Trade Mark Registration, Public Policy, Morality and Fundamental Rights', Centre for International Intellectual Property Studies (CEIPI) Research Paper No 2017-01; forthcoming in *20 Years of the Boards of Appeal at EUIPO, Anniversary Book, Celebrating the Past, Looking Forward to the Future* (Alicante, EUIPO, 2018), <https://ssrn.com/abstract=3009170> accessed December 2017; J Griffiths, 'Is There a Right to an Immoral Trademark?', in P L C Torremans (ed.), *Intellectual Property and Human Rights supra* note 7, 423; L P Ramsey, 'A Free Speech Right to Trademark Protection?' (2016) 16 The Trademark Reporter 797; E Bonadio, 'Brands, Morality and Public Policy: Some Reflections on the Ban on Registration of Controversial Trademarks' (2015) 19 Marquette Intellectual Property Law Review 39; S Snedden, 'Immoral Trade Marks in the UK and at OHIM: How Would the Redskins Dispute be Decided There?' (2016) 11(4) JIPLP 270.

[187] ECtHR, *Dor v. Romania* (dec.), no 55153/12, 25 August 2015, CE:ECHR:2015:0825DEC005515312 (available only in French).

[188] The drawing depicted a stylised cross with floral elements, placed on a base below which was written 'CRUCIFIX'. The cross was surrounded by a crown in the shape of the letter C representing stylised laurel leaves.

[189] Ground of refusal of section 5(f) of the Romanian Law No. 84/1998 on Trademarks and Geographical Indications of 1998 (English translation by the WIPO) <http://www.wipo.int/wipolex/en/text.jsp?file_id=207374> accessed December 2017.

[190] Ground of refusal of section 5(i) of the Law No 84/1998, ibid. Note that the EU First Trademarks Directive (First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, OJ No. L 40 of 11 February 1989, p. 1) had not yet been transposed into Romanian law at the time of the proceedings in the applicant's case. Article 3(2)(b) of that Directive stated that '[a]ny Member State may provide that a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where and to the extent that ... the trade mark covers a sign of high symbolic value, in particular a religious symbol' (currently Article 4(3)(b) of the Directive (EU) No. 2015/2436 of the European Parliament and of the Council of 16

deceptiveness, OSIM observed that, because the church enjoyed a high level of public trust, the use of the 'CRUCIFIX' mark for legal services could mislead the public into believing that such services were provided by this religious organisation. As it concerned the public order requirement, OSIM considered that the mark's registration would have infringed the provisions of the national Law on Manufacture and Marketing of Religious Objects,[191] according to which the church alone had a monopoly on the manufacturing and marketing of crucifixes. The applicant challenged OSIM's decision before the County Court of Bucharest, alleging an infringement of freedom of expression. He also claimed being discriminated against insofar as OSIM had accepted the registration of other marks containing similar graphic elements. The County Court allowed the action and ordered registration of the mark.[192] It considered that the Law on Manufacture and Marketing of Religious Objects was not applicable in the present case since it concerned only the manufacture and marketing of objects of worship. Consequently, the registration of the mark did not violate any of the social values defended by public policy. With regard to the misleading character invoked by OSIM, the court considered that the mark at issue, combined with the legal services for which it was sought, was not likely to mislead the public as to the nature, origin or quality of these services.

OSIM lodged an appeal. It argued that the provisions of the Law on Manufacture and Marketing of Religious Objects were part of public policy and that, therefore, the owner of the mark could mislead the public into believing that there was a connection with the church. In a final judgment on the case, the Bucharest Court of Appeal allowed the appeal and dismissed the action.[193] Having examined the drawing accompanying the mark, the Court of Appeal found that the 'average reference' consumer perceived its religious character as a priority and could therefore believe that a link existed between the church and the owner of the mark providing legal services. Given the broad involvement of religious institutions in charitable and aid activities in various fields, it was not excluded, in the court's opinion, that religious organisations could also provide legal assistance to their believers. The court concluded

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December 2015 to approximate the laws of the Member States relating to trade marks (Text with EEA relevance), OJ L 336 of 23 December 2015, p. 1, ELI: http://data.europa.eu/eli/dir/2015/2436/oj).

[191] Section 1(2) of the Romanian Law No. 103/1992 on Manufacture and Marketing of Religious Objects.

[192] County Court of Bucharest, judgment of 8 June 2010.

[193] Bucharest Court of Appeal, judgment of 21 June 2011.

that the mark owner could thus benefit from public confidence in the church, that the mark was therefore deceptive, and that it was hence unnecessary to examine the conformity of the mark with public order and morality. Finally, the Court of Appeal found that the refusal to register the trademark did not infringe the ECHR provisions on freedom of expression and non-discrimination. On the latter point, it noted that examples cited by the applicant were irrelevant since those marks contained compound words and complex drawings, which thereby departed from religious symbols.[194]

The applicant complained to the Strasbourg Court that the choice of the name and graphic representation of the mark 'CRUCIFIX' was a matter of his freedom of thought, conscience and religion (Article 9 ECHR) and that, by refusing his application, the domestic authorities infringed his freedom expression (Article 10 ECHR).

Having observed at the outset that the present case fell to be examined solely under Article 10 of the Convention as concerning the commercial use of a mark, the ECtHR rejected the applicant's claim under this provision as manifestly ill-founded.[195] It accepted that the dismissal of the application for registration amounted to an interference with the applicant's right to freedom of expression insofar as the mark at issue constituted an important element of the applicant's advertising strategy[196] (advertising being one of the forms of commercial speech protected by the Convention). However, such interference was in accordance with law (the relevant ground of refusal was provided in the national Law on Trademarks and Geographical Indications),[197] pursued a legitimate aim (protection of the public against false advertising)[198] and was proportionate to this aim. With regard to the proportionality of the measure, the ECtHR observed that the applicant had

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[194] One of the judges of the panel expressed a dissenting opinion and argued in favour of dismissing the appeal. He considered that the application for registration could be rejected only if it was contrary to public order or morality. Recalling that public order was concerned with the functioning of the State apparatus and that Romania was a secular State in which religion was separated from the State, the dissenting judge held that religious symbols were not part of the public order.

[195] ECtHR, *Dor v. Romania* (dec.), no 55153/12, 25 August 2015, CE:ECHR:2015:0825DEC005515312 (available only in French), para 57.

[196] Ibid., para 42.

[197] Ibid., paras 45–46.

[198] Ibid., para 47.

> in no way demonstrated the existence of a link between the legal services which it intended to provide to the public under the contested mark and the religious symbol of the crucifix. On the contrary, he confined himself to asserting that such a choice related to his freedom of thought, conscience and religion, as well as his freedom of expression.[199]

In these circumstances, and taking into account the particularly wide margin of discretion which the national authorities enjoyed in regulating commercial and advertising speech, the national judges were in their right to reject the applicant's claim.[200]

The ECtHR has yet to give its opinion on the potential implications of refusing marks contrary to public policy and morality for the trademark applicants' freedom of expression,[201] although the CJEU has already

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[199] Ibid., para 53, translation from French by the authors.

[200] Ibid., paras 51, 54 and 56.

[201] For possible implications of this ground for refusal for the freedom of expression rights not of the trademark applicants, but of the *users*, see the recent decision of European Free Trade Association (EFTA) Court in *Vigeland*, E-5/16, 6 April 2017. In this case, the Court tried to use the public policy/morality ground for refusal to protect from 'appropriation', by means of trademark registration, works in the public domain (notably, works of art). Although the Court accepted, in principle, that the ground for refusal of morality and public policy can in certain situations achieve the goal of keeping works in the public domain, it also confirmed that this ground for refusal does not provide protection to works in the public domain as such: in order to be excluded from registration on this ground, works of art have to pass the threshold of 'enjoy[ing] a particular status as prominent parts of a nation's cultural heritage' (para 92). It is notable, however, that no single reference was made in the Court's judgment to the right to freedom of expression. The argument of 'the general interest in protecting creations of the mind from commercial greed' was used instead, with reference also to the freedom of the arts (para 65). For the comments on this judgment, see M Senftleben, 'Vigeland and the Status of Cultural Concerns in Trade Mark Law – The EFTA Court Develops More Effective Tools for the Preservation of the Public Domain' (2017) 48(6) IIC 683; and T Hvammen Nicholson, 'EFTA and EEA: Is a (Famous) Work of Art Contrary to Accepted Principles of Morality or Public Policy Under Article 3 of the Trade Mark Directive?' (Kluwer Trademark Blog, 4 September 2017) <http://trademarkblog.kluweriplaw.com/2017/09/04/efta-eea-famous-work-art-contrary-accepted-principles-morality-public-policy-article-3-trade-mark-directive/> accessed December 2017. More generally on the (in)sufficiency of the current trademark law guarantees for the protection of the general interest in keeping the public domain works free, see L Anemaet, 'The Public Domain is Under Pressure – Why We Should not Rely on Empirical Data when Assessing Trade Mark Distinctiveness' (2016) 47(3) IIC 303. See also Ch Geiger and L Pontes, 'Trade Mark Registration, Public Policy, Morality and Fundamental Rights' *supra* note 186.

faced the issue on four occasions.[202] Each time though the Luxemburg Court rejected the applicants' free expression arguments, considering that they had either failed to argue properly that the refusal of their trademark application was not covered by limitations on freedom of expression provided by Article 10(2) ECHR,[203] that the registration refusal did not prevent the applicants from continuing to market their products with the signs in question as non-registered marks,[204] or simply that freedom of expression was irrelevant for the field of trademarks.[205]

The Strasbourg Court's silence on the matter might, however, change soon, as this exact type of a challenge was recently lodged with the Court and is currently pending before it.[206]

The application at issue concerns the refusal by the Romanian trademark registration authority to register the applicant's trademark which

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[202] CJEU, Judgment in *Couture Tech Ltd*, T-232/10, 20 September 2011, EU:T:2011:498 (on the OHIM's refusal to register the Soviet coat of arms as a Community trademark because of the ban on the former USSR symbols in certain EU Member States); CJEU, Judgment in *Cortés del Valle López v. OHIM (¡Que buenu ye! HIJOPUTA)*, T-417/10, 9 March 2012, EU:T:2012:120 (available only in French and Spanish) (on the OHIM's refusal to register the figurative mark with the word elements '¡Que buenu ye! Hijoputa' perceived as an inherently offensive and shocking expression by the Spanish public of the EU); CJEU, Judgment in *Efag Trade Mark Company v. OHIM (FICKEN LIQUORS)*, T-54/13, 14 November 2013, EU:T:2013:593 (available only in French and German) (on the OHIM's refusal to register a figurative sign with word elements 'FICKEN LIQUORS' considered to be a vulgar and obscene term in German); and CJEU, Judgment in *Constantin Film Produktion v. EUIPO (Fack Ju Göhte)*, T-69/17, 24 January 2018, EU:T:2018:27 (available only in French and German) (on the refusal by EUIPO to register an expression 'Fack Ju Göhte' as an EU trademark because the word element 'fack ju' (identical to that of the English expression 'fuck you') was expected to be perceived as shocking and vulgar by the German public).

[203] CJEU, Judgment in *Couture Tech Ltd*, T-232/10, 20 September 2011, EU:T:2011:498, para 71.

[204] CJEU, Judgment in *Cortés del Valle López v. OHIM (¡Que buenu ye! HIJOPUTA)*, T-417/10, 9 March 2012, EU:T:2012:120 (available only in French and Spanish), para 26; and CJEU, Judgment in *Efag Trade Mark Company v. OHIM (FICKEN LIQUORS)*, T-54/13, 14 November 2013, EU:T:2013:593 (available only in French and German), para 44.

[205] CJEU, Judgment in *Constantin Film Produktion v. EUIPO (Fack Ju Göhte)*, T-69/17, 24 January 2018, EU:T:2018:27 (available only in French and German). Note that this case is currently pending an appeal to the Court of Justice.

[206] ECtHR, *Csibi v. Romania*, no 16632/12, communicated on 20 October 2015.

read, translated from Hungarian, 'Szekely Land is not Romania!'[207] According to the Romanian trademark office, claiming that Szekely Land (an unofficial territory name for three Romanian counties) was not part of Romania could lead to the idea of territorial separation, which is contrary to the provisions of the Constitution on the unitary character of the Romanian State, and, consequently, also to the national trademark law that does not allow the registration of trademarks contrary to public order.

The applicant contested this reasoning of the office (which was subsequently confirmed by the courts) before the ECtHR, contending that the domestic authorities had unlawfully restricted on public order grounds the voicing of his strong belief contained in the expression at issue. According to the applicant, his statement concerned a fictitious land which could had been defined only historically and ethnographically and not politically.

It might take several years for the Strasbourg Court to decide on the issue. On the one hand, the Court's previous reluctance to interfere with the reasoning of domestic courts in IP/free speech disputes, unless there are sufficiently compelling reasons to do otherwise, points to an unfavourable outcome for the applicant. It is certainly also of importance that the CJEU has never found that a substantial issue arose in terms of freedom of expression in analogous circumstances. On the other hand, in the 'Crucifix' case, the Court qualified a refusal of trademark registration as an interference with freedom of expression, which certainly brings the human rights analysis of similar cases to the next stage.[208] Moreover, in one of its most recent pronouncements on the permissibility of restrictions on commercial speech on the grounds of public morals, the ECtHR found in favour of the 'speaker'.[209] The Court held, in particular, that the imposition of a fine on a clothing company[210] for the use in its

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[207] 'Szekelyfold nem România!' in Hungarian.

[208] It is also notable that one of the decisive points in the proportionality analysis of the 'Crucifix' case was the applicant's failure to demonstrate any link between the legal services covered by the mark applied for and the crucifix symbol. It is thus uncertain how the ECtHR would decide if the applicants in similar future cases succeed in establishing such a link (instead of simply confining themselves to claiming that their choice of a trademark sign was covered by freedom of expression).

[209] ECtHR, *Sekmadienis Ltd. v. Lithuania*, no 69317/14, 30 January 2018, CE:ECHR:2018:0130JUD006931714.

[210] The company was fined on the basis of the country's Law on Advertising that prohibited the advertising contrary to public morals.

advertising campaign of the images of Jesus and Mary was not sufficiently justified. Whether this decision can possibly have implications for the issue of non-registrability of trademarks contrary to public order or morals is uncertain at this stage.[211] In the US, for example, the provision of the Lanham Act prohibiting the registration of disparaging trademarks[212] was recently declared unconstitutional by the country's Supreme Court on the grounds that that provision amounted to a viewpoint discrimination running contrary to the First Amendment of the American Constitution.[213] As a result, the US Patent and Trademark Office's refusal to register the racially offensive name of the music band as a trademark was found to violate the trademark applicant's freedom of expression. In Europe, however, an approach of the ECtHR is likely to be far less radical and would greatly depend on the circumstances of each

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[211] Consider, for example, refusals to register the marks 'MADONNA' (upheld by the Swiss Supreme Court, Case 4A_302/2010, 22 September 2010); 'JESUS' (Basic Trademark SA's Trade Mark Application, [2005] R.P.C. 25, 18 January 2005); representation of the Soviet coat of arms (upheld by the General Court in the Judgment in *Couture Tech Ltd v. OHIM (Representation of the Soviet coat of arms)*, T-232/10, 20 September 2011, EU:T:2011:498); and a figurative mark representing crucifix (OHIM, Decision of the First Board of Appeal of 10 September 2015 in Case R 510/2013-1, *Representation d'une croix*). Note, however, that in a number of decisions the EUIPO has admitted either that the refusal to register a sign as an EU trademark on the grounds of public policy and morality might be contrary to freedom of expression (EUIPO, Decision of the Second Board of Appeal of 28 June 2017 in Case R 2244/2016-2, *BREXIT*, paras 25, 33-35) or that freedom of expression has a role to play in the interpretation and application of the ground for refusal based on morals and public order (OHIM, Decision of the Second Board of Appeal of 6 July 2015 in Case R 1727/2014-2, *Oval shape*, paras 30–31).

[212] The Lanham Act, 15 U.S.C. §1052(a). This provision prohibits the registration of trademarks that may 'disparage … or bring … into contempt, or disrepute' any 'persons, living or dead'.

[213] US Supreme Court, *Matal v. Tam*, 582 U.S. ___ (2017) (19 June 2017). For an analysis of this case, see L P Ramsey, 'A Free Speech Right to Trademark Protection?' *supra* note 186; K Corey, '"We Are Slant. Who Cares? We're Proud of That": Intersection of the Lanham Act and Free Speech' (July/August 2017) 50 Maryland Bar Journal 36.

particular case (i.e. the mark's 'offensiveness',[214] the severity of harm to freedom of expression of the trademark applicant[215] and so on).

3. RIGHT TO PRIVACY AS A DEFENCE AGAINST COPYRIGHT ENFORCEMENT AND AS A BASIS FOR MORAL RIGHTS

With regard to the right to privacy (guaranteed by Article 8 (right to respect for private and family life) ECHR), the intellectual property issues that arose before the Strasbourg Court concerned: the manner of executing certain search orders on allegations of copyright violation (3.1.); and the possible extension to moral rights of Article 8 ECHR (3.2.).

3.1 Search Orders and Their Effects on the Right to the Respect for Private Life

The compatibility of search orders as measures against copyright infringement with the Convention privacy provision was first examined by the Strasbourg Court in the case of *Chappell v. the United Kingdom*[216] back in 1989. The case concerned the challenge to the issue and

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[214] In the case of the Lithuanian clothing company, for example, the ECtHR gave particular consideration to the public authorities' failure to justify why the reference to religious symbols in advertising was offensive (ECtHR, *Sekmadienis Ltd. v. Lithuania*, no 69317/14, 30 January 2018, CE:ECHR:2018:0130 JUD006931714, para 79).

[215] Arguably, fining the company for its advertising campaign amounts to a direct punishment of expression, whereas the refusal of trademark registration is rather a measure of discouragement of particular speech that does not attain to the level of a direct ban on expression. For further discussion of the degree of harm caused to freedom of expression by any potential refusal of trademark registration, see L P Ramsey, 'Non-Traditional Trademarks and Inherently Valuable Expression', forthcoming in I Calboli and M Senftleben (eds), *The Protection of Non-Traditional Marks: Critical Perspectives* (New York, Oxford University Press, 2018); San Diego Legal Studies Paper No. 18-325, <https://ssrn.com/abstract=3104939> accessed February 2018.

[216] ECtHR, *Chappell v. the United Kingdom*, no 10461/83, 30 March 1989, CE:ECHR:1989:0330JUD001046183. On this case, see A Sherlock, 'European Court of Human Rights – Execution of an "Anton Piller Order" and Article 8' (1989) 14(6) European Law Review 476; L Collins, 'Anton Piller Orders and Fundamental Rights' (1990) 106 Law Quarterly Review 173; and R Charteris, 'Sun Sets on Dawn Raids' (2000) 34 Scots Law Times 271.

execution of an interim relief known as an 'Anton Piller order'[217] to search the applicant's premises, which served both as his offices and home, and to seize property that was subject to civil copyright infringement proceedings. Following the applicant's unsuccessful attempts to set the order aside, he applied to the ECtHR, arguing, first, that the Anton Piller orders as such, as they existed in English law, were in breach of Article 8 ECHR. He further contested under the same provision the way in which the order was served and how the subsequent search was carried out in his case. In particular, he alleged that the grant and the execution of the order were neither in conformity with English law nor proportionate to the legitimate aim pursued, that is, the protection of the rights of others under the second paragraph of Article 8 ECHR. The applicant mainly relied on the fact that the two searches – one as regards the 'pirated' videos and another concerning obscene ones – were allowed and conducted at the same time, which allegedly distracted him from properly supervising the execution of the order.

In its decision of March 1985 on the admissibility of application, the Commission dismissed the applicant's complaint about the legitimacy of Anton Piller orders as such, considering that it was not called upon to examine, in the abstract, whether a particular aspect of domestic law was or was not in conformity with the Convention.[218] It referred, however, the applicant's complaint on the manner in which the order was executed in his particular case to the Court, which, judging on the merits, held that there had been no violation of Article 8.[219] According to the ECtHR, the interference with the applicant's home and privacy could be justified under Article 8(2) as aiming at the protection of the plaintiffs' copyright against unauthorised infringement. The Court noted that the grant and the execution of the Anton Piller order in the applicant's case complied with English law. The basic terms and conditions for the grant of the order were laid down with sufficient precision to be foreseeable.[220] The order, as such, was accompanied with adequate and effective safeguards against arbitrary interference and abuse.[221] Those included a short term granted

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[217] So called after the name of a case in which its use was approved by the Court of Appeal, *Anton Piller KG v. Manufacturing Processes Ltd.* [1976] 1 All England Law Reports 779.

[218] ECommHR, *A.R.M. Chappell v. the United Kingdom* (dec.), no 10461/83, 14 March 1985, CE:ECHR:1985:0314DEC001046183, para 6.

[219] ECtHR, *Chappell v. the United Kingdom*, no 10461/83, 30 March 1989, CE:ECHR:1989:0330JUD001046183, para 67.

[220] Ibid., paras 52–57.

[221] Ibid., paras 59–61.

for the execution, restrictions regarding the time at which and the number of persons by whom it could be executed, as well as a specified purpose for which seized materials could be used. Moreover, a variety of remedies was available to the applicant in case of any wrongdoings by the plaintiffs. Although admitting that the mode of execution could be regarded as 'unfortunate and regrettable',[222] as it involved certain shortcomings in the procedure,[223] the Court nevertheless concluded that the grant and execution of the order were necessary and proportionate to the legitimate aim pursued.

This was not the conclusion, however, in two much more recent applications to the Court, in which a violation of Article 8 had indeed been established. The applicants in the first case,[224] Mr. and Ms. Prezhdarovi, were a married couple who ran a computer club in their garage. On 2 February 2004, the district prosecutor ordered a search of the applicants' club after suspicions were raised that they had installed some games on the computers they were renting to their clients without the necessary software licence for reproduction and distribution. In executing the prosecutor's order, on 21 February 2004, the police searched the club and seized five computers containing computer programs, computer games and films, following which the criminal proceedings against Mr. Prezhdarov were instigated. A report on the inspection was afterwards sent to a judge who approved it and noted briefly that there had been pressing circumstances and that an immediate search and seizure were the only means by which the collection and preservation of the necessary evidence could be undertaken. Mr. Prezhdarov's application against the search-and-seizure operation, including a claim that the computers contained letters as well as personal information about friends and clients, was considered inadmissible. In the subsequent criminal proceedings, Mr. Prezhdarov was convicted of unlawful distribution of

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[222] Ibid., para 63.

[223] These included the fact that Mr. Chappell was not afforded a proper opportunity to refuse the plaintiffs entry to his premises and the fact that the latter were searched, simultaneously, by the police and the plaintiffs.

[224] ECtHR, *Prezhdarovi v. Bulgaria*, no 8429/05, 30 September 2014, CE:ECHR:2014:0930JUD000842905. On this case, see D Voorhoof, 'European Court of Human Rights: Prezhdarovi v. Bulgaria' (2014) 10(1) IRIS 1, <http://merlin.obs.coe.int/article.php?id=15036> accessed December 2017; and Global Freedom of Expression: Columbia University, 'Prezhdarovi v. Bulgaria', <https://globalfreedomofexpression.columbia.edu/cases/prezhdarovi-v-bulgaria/> accessed December 2017.

computer programs, computer games and movies. The computers, which had been retained during the criminal proceedings, were also confiscated.

The applicants complained to the ECtHR, claiming that the circumstances in their case were not sufficiently pressing as to justify an on-the-spot inspection and search and seizure of the computers. They further maintained that the operation was unnecessarily extended to cover private information contained in the retained computers, which Ms. Prezhdarova besides had used for her business activities. Lastly, the applicants complained that they had been denied access to an effective remedy in this regard.

Ruling on a violation of Article 8 ECHR, the Court found that the actions of the police at the applicants' computer club and the subsequent retention of the computers, as an interference with the applicants' private life, were not in accordance with the law (the second paragraph of Article 8).[225] Assuming that the actions of the police had some basis in domestic law because the Code of Criminal Procedure of 1974 provided that in certain circumstances the police could conduct search-and-seizure operations,[226] the Court nevertheless considered that this law did not provide adequate safeguards against arbitrary conduct. In this regard, the ECtHR noted, first, that the circumstances of the case were not so exigent as to buttress an immediate police action outside the criminal proceedings, given, in particular, the lapse of time between the prosecutor's order and the actual police inspection.[227] It further held that the retrospective judicial review of the search provided no meaningful reasoning as to the lawfulness or justification of the impugned measure.[228] Finally, the Court concluded that the lack of any consideration of the relevance of the seized information for the investigation and of the applicants' complaint regarding the personal character of some of the information stored on the computers 'rendered the judicial review formalistic and deprived the applicants of sufficient safeguards against abuse'.[229]

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[225] ECtHR, *Prezhdarovi v. Bulgaria*, no 8429/05, 30 September 2014, CE:ECHR:2014:0930JUD000842905, para 51.

[226] Ibid., para 44.

[227] Ibid., para 45.

[228] Ibid., paras 47–48.

[229] Ibid., para 49.

The 'quality of law' requirement[230] was also found breached in the case of *Zosymov v. Ukraine*,[231] which concerned a police night search, on suspicion of copyright infringement, of the applicant's office, car and garage. As in the previous case, the search was conducted without prior judicial authorisation. Unlike in the *Prezhdarovi* case, however, the judicial review was never obtained even post factum. This was because, according to the Ukrainian rules of criminal procedure, 'the relevant complaint could only be brought within the framework of the criminal trial of the case initiated by the police following the disputed visit, in the event that the investigative authority ever brought the case to that stage'.[232] In the applicant's case, however, the criminal trial was never initiated, despite Mr. Zosymov's numerous efforts, and the relevant criminal proceedings remained stagnant for several years. In this situation, according to the Court, 'domestic law did not provide requisite guarantees against arbitrariness in respect of the police's actions ... and did not meet the requirement of quality of law for the purposes of the Convention'.[233]

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[230] As a rule, the ECtHR will examine four central questions when an exception to one of the qualified Convention rights (such as the right to privacy) is at stake: (1) whether there had been an interference with that right; (2) whether it was in accordance with law (the 'quality of law' requirement); (3) whether it pursued a legitimate aim; and (4) was necessary in a democratic society and proportionate to that aim. In the ECHR, the following rights are qualified: Article 8 (right to respect for private and family life); Article 9 (freedom of thought, conscience and religion); Article 10 (freedom of expression); and Article 11 (freedom of assembly and association). An analogous four-part test is applied when restrictions on the right to property are at stake (Article 1 of the First Protocol to the ECHR). See further S Greer, *The Exceptions to Articles 8 to 11 of the European Convention on Human Rights* (Strasbourg, Council of Europe Publishing, Human rights files No 15, 1997); and, with regard to the right to property, A Grgić, Z Mataga, M Longar and A Vilfan, *The Right to Property under the European Convention on Human Rights: A Guide to the Implementation of the European Convention on Human Rights and its Protocols* (Strasbourg, Council of Europe, Human rights handbooks, No 10, 2007).

[231] ECtHR, *Zosymov v. Ukraine*, no 4322/06, 7 July 2016, CE:ECHR:2016:0707JUD000432206.

[232] Ibid., para 61.

[233] Ibid., para 62.

3.2 Moral Rights Grounded in the Convention's Right to Privacy

Legal scholars are of the opinion that moral rights, even if there is no case law on them yet, could be protected by Article 8 of the Convention on the protection of privacy.[234]

The fact that the Court advanced certain arguments in support of the moral rights based on Article 8 in relation to trademarks reinforces this contention.

The case at issue concerned a dispute in connection with the right of reproduction of the portrait and name of the applicants' great-grandfather – a prominent factory owner – in the brewery's trademark.[235] A copy of the portrait was passed by the applicants to the local museum which, in its turn, passed it to the brewery. In the action brought against the brewery, the applicants asked to remove their ancestor's name and portrait from the beer advertisements because those interfered with their right to confidentiality of family life. The domestic courts in all instances dismissed the applicants' complaints. As a result, the applicants applied to the ECtHR, alleging that the commercial use of their ancestors' portrait and name caused them distress such as to encroach on their private and family life under Article 8 ECHR.

The Court found, however, that there had been no interference with the applicants' human rights. It observed, first, that 'the applicants had themselves passed the portrait to the museum',[236] concluding on that basis that 'they had agreed, in principle, that the portrait may be seen by others'.[237] The ECtHR further noted that

> the portrait was posted on produce of the brewery once founded by the applicants' ancestor. In the Court's opinion, by using the portrait in this manner the brewery meant to revere his memory as a master brewer rather than insult the applicants' feelings towards him. Nothing suggests that the

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[234] See e.g. J Drexl, 'Constitutional Protection of Authors' Moral Rights in the European Union – Between Privacy, Property and the Regulation of the Economy', in K S Ziegler (ed.), *Human Rights and Private Law: Privacy as Autonomy* (Oxford and Portland, OR, Hart Publishing, 2007) 159, 173–174; Ch Geiger, '"Constitutionalizing" Intellectual Property Law?' *supra* note 1, 383.

[235] ECtHR, *Vorsina and Vogralik v. Russia* (dec.), no 66801/01, 5 February 2004, CE:ECHR:2004:0205DEC006680101. On this case, see D S Welkowitz, 'Privatizing Human Rights?' *supra* note 15, 694.

[236] ECtHR, *Vorsina and Vogralik v. Russia* (dec.), no 66801/01, 5 February 2004, CE:ECHR:2004:0205DEC006680101.

[237] Ibid.

rather distant ties between the applicants and the relative were thereby distorted.[238]

Welkowitz observed that 'the court's finding that the use was not undignified indicates that a less dignified use (and the court did not define what that would be) might have led to a different result'.[239] Thus, the reasoning of the Court points to a quasi-moral-rights argument that might in the future receive further development under the ECtHR case law on Article 8 also in relation to copyright. This is probable since in certain countries the link between moral rights and personality rights is very clear. For example, in Germany, moral rights are described as 'authors' personality rights' (*Urheberpersönlichkeitsrechte*).[240]

4. NON-DISCRIMINATION: POSSIBLE CONSEQUENCES FOR COPYRIGHT RESTRICTIONS ON CERTAIN TYPES OF BUSINESSES AND PATENT APPEAL PROCEEDINGS

The last right in the catalogue of the ECHR material guarantees that came into play in the context of intellectual property rights is the right to non-discrimination enshrined in Article 14 of the Convention. In the IP context, this guarantee was raised before the Convention institutions only on two occasions.

The first pertained to the above-discussed dispute brought to the Commission of Human Rights by the Dutch publisher of weekly 'general interest' magazines, De Geïllustreerde Pers N.V.[241] Apart from the freedom of expression claim, the latter also invoked Article 14 of the Convention, contending that it was discriminated against insofar as under the national broadcasting and copyright legislation, the broadcasting organisations and some publishers were allowed, unlike the applicant company, to publish complete programme information or at least summaries thereof.

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[238] Ibid.

[239] D S Welkowitz, 'Privatizing Human Rights?' *supra* note 15, 694.

[240] Ch Geiger, '"Constitutionalizing" Intellectual Property Law?' *supra* note 1, note 72.

[241] ECommHR, *De Geïllustreerde Pers N.V. v. the Netherlands* (report (31)), no 5178/71, 6 July 1976, CE:ECHR:1976:0706REP000517871.

As to the alleged discrimination between the applicant company on the one hand and the broadcasting organisations on the other, the Commission took into consideration the nature of the broadcasting organisations which, although performing a public service, were companies created under private law.[242] Broadcasting time was allocated to them in relation to their membership and the number of subscriptions to their programme magazines.[243] The profits from those subscriptions were also used for financing the broadcasting activities of the organisations.[244] The European Commission of Human Rights, therefore, considered that there were reasonable justifications for the differential treatment.[245] As to the alleged discrimination against the applicant company in regard to daily newspapers and newspapers appearing at least three times a week, the Commission found that there had been no differential treatment due to the incomparable features in these two kinds of press publications.[246] It pointed out, in particular, that the applicant company sought to publish the complete lists, and not merely summaries, whereas the other newspapers were allowed to publish only the short summaries.[247] Finally, the Commission rejected the allegation of discrimination as regards foreign weekly magazines. It held that, even assuming that the applicant company's and foreign magazines' publications were comparable, they nevertheless pursued different aims, foreign publications being allowed on a reciprocal basis for an exchange of programme information with broadcasting organisations abroad, in order to serve those segments of the public who were interested in foreign broadcasts.[248] There had been, accordingly, no violation of Article 14 ECHR.[249]

The second occasion on which the Commission was called upon to consider intellectual property regulation in light of Article 14 concerned a case in which the applicant company questioned the fact that the appeal procedure in disputes over patents was different from the appeal procedure in other disputes of a pecuniary nature.[250] In this case, unlike in the previous case, the Commission did not even examine whether a different

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[242] Ibid., para 101.
[243] Ibid.
[244] Ibid.
[245] Ibid., para 102.
[246] Ibid., paras 104–105.
[247] Ibid., para 105.
[248] Ibid., para 107.
[249] Ibid., paras 108–109.
[250] ECommHR, *B.A.T. v. Switzerland* (dec.), no 26684/95, 4 September 1996, CE:ECHR:1996:0904DEC002668495 (available only in French).

treatment was justified by a legitimate aim, having found that the circumstances claimed to be discriminatory were not comparable.[251] Accordingly, and since Article 14 ECHR only applied to differences between parties whose situations were analogous, the applicant company's complaint was rejected as manifestly ill-founded.[252]

5. FAIR TRIAL GUARANTEES APPLICABLE TO IP PROCEEDINGS

Apart from material guarantees, the ECHR also provides for a number of procedural safeguards, at the centre of which, without doubt, stands the right to a fair trial under Article 6 of the Convention. The cases concerning fair trial are the most numerous in the Court's practice on IP (almost seventy). They involve such aspects of this procedural guarantee as the right of access to court (5.1.), the finality of court decisions (*res judicata*) (5.2.), the tribunal's independence and impartiality (5.3.), the equality of arms and the adversarial nature of the proceedings (5.4.), rules on the administration of evidence (5.5.), the oral nature of a hearing (5.6.), the right to a reasoned judicial decision (5.7.), the right to a reasonable duration of the proceedings (5.8.), certain further safeguards applicable in the context of criminal proceedings (5.9.), and, finally, the rights to an effective remedy[253] and timely enforcement of a final court decision (5.10.). Although a comprehensive overview of all instances of the interaction of IP with different aspects of the right to a fair trial would go far beyond the scope of this chapter, some of the most prominent examples can still be highlighted.[254]

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[251] Ibid., para 3.

[252] Ibid.

[253] The right to an effective remedy is, strictly speaking, a guarantee in its own right, and is enshrined separately from the Convention's fair trial provision (Article 6) in Article 13 ECHR. Note, however, that these two guarantees are closely interrelated, and the EU Charter of Fundamental Rights, for example, even places them together within the scope of the same clause (Article 47 of the Charter).

[254] For further discussion of the intersection of IP and fair trial in Europe, see an excellent article by J Griffiths, 'Enforcement of Intellectual Property Rights and the Right to a Fair Trial', in Ch Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property supra* note 1, 438.

5.1 Access to Court

The right of access to court played a role in several intellectual property cases decided by the ECtHR in relation to the issues of prohibitive time-limits,[255] certain formal aspects of the appeal procedure,[256] questions of jurisdiction,[257] allegedly excessive court fees,[258] legal costs,[259] and unduly protracted proceedings.[260] Finally, in a number of patent cases, the impossibility to appeal the decisions of the Board of Appeal of the EPO to national courts was likewise challenged by the applicants.[261]

A recent copyright judgment in the case of *Dumitru Gheorghe v. Romania*[262] provides a good illustration of how the time-limits restrictions can impede effective access to judicial protection. The applicant was a professional photographer who took a number of photographs of

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[255] ECommHR, *Metrat v. France* (dec.), no 23016/93, 18 May 1994, CE:ECHR:1994:0518DEC002301693 (copyright, available only in French); ECtHR, *AEPI S.A. v. Greece*, no 48679/99, 11 April 2002, CE:ECHR:2002:0411JUD004867999 (copyright, available only in French); ECtHR, *Dumitru Gheorghe v. Romania*, no 33883/06, 12 April 2016, CE:ECHR:2016:0412JUD003388306 (copyright, discussed below); and ECtHR, *Sobczynski v. Poland* (dec.), no 358/04, 30 September 2008, CE:ECHR:2008:0930DEC000035804 (patents).

[256] ECommHR, *Metrat v. France* (dec.), no 23016/93, 18 May 1994, CE:ECHR:1994:0518DEC002301693 (copyright, available only in French); ECommHR, *Denev v. Sweden* (dec.), no 25419/94, 9 April 1997, CE:ECHR:1997:0409DEC002541994 (design).

[257] ECtHR, *Kessler v. Switzerland* (dec.), no 56933/00, 14 September 2004, CE:ECHR:2004:0914DEC005693300 (copyright, available only in French).

[258] ECommHR, *X. v. Switzerland* (dec.), no 6958/75, 10 December 1975, CE:ECHR:1975:1210DEC000695875 (patents, discussed below); ECtHR, *Sté. MATROT v. France* (dec.), no 43798/98, 13 December 2001, CE:ECHR:2001:1213DEC004379898 (patents, available only in French, discussed below).

[259] ECtHR, *Jensen v. Denmark*, no 8693/11, Judgment of 13 December 2016, CE:ECHR:2016:1213JUD000869311 (designs, discussed below).

[260] ECtHR, *Kristiansen and Tyvik v. Norway*, no 25498/08, 2 May 2013, CE:ECHR:2013:0502JUD002549808 (patents, discussed below).

[261] ECommHR, *Reber, Reber Systematik GmbH and Kinkel v. Germany* (dec.), no 27410/95, 12 April 1996, CE:ECHR:1996:0412DEC002741095; ECommHR, *Lenzing AG v. Germany* (dec.), no 39025/97, 9 September 1998, CE:ECHR:1998:0909DEC003902597; ECommHR, *Lenzing AG v. the United Kingdom* (dec.), no 38817/97, 9 September 1998, CE:ECHR:1998:0909DEC003881797; ECtHR, *Rambus Inc. v. Germany* (dec.), no 40382/04, 16 June 2009, CE:ECHR:2009:0616DEC004038204.

[262] ECtHR, *Dumitru Gheorghe v. Romania*, no 33883/06, 12 April 2016, CE:ECHR:2016:0412JUD003388306.

landscapes in Călăraşi County in Romania in 1984. Although the photographs had been commissioned for commercial publication in an album, the album was not published and the photographs were retained by a certain F.G., who was in charge of the album project. In 2004, the applicant found out by chance that an album had been published in 1999 by a company run by F.G., with F.G. being credited as a photographer. In February 2004, claiming that F.G. had committed copyright infringement, the applicant lodged a criminal complaint with the Romanian Copyright Office (RCO). He also joined a civil action to his criminal complaint, seeking compensation for pecuniary and non-pecuniary damage. Following an investigation that established that the applicant's copyright had indeed been infringed, the RCO forwarded the applicant's complaint to the police in November 2004. Although the expert report ordered by the police likewise confirmed the applicant's authorship of the photographs, the prosecutor's office decided not to open a criminal investigation on the grounds that the limitation period of five years for the punishment for copyright infringement (calculated from the date on which the offence was committed)[263] had expired in April 2004. The applicant appealed that decision before the trial court, which ruled in his favour.[264] The court noted, in particular, that the date from which the term of limitation of five years should have been calculated was not the date on which the RCO forwarded the file to the police but the date on which the applicant lodged his complaint with the RCO (which happened some two months before the end of the five-year term). This conclusion was informed by the particular nature of Romanian procedure for the punishment of copyright offences, whereby only the RCO (and not the applicant) could lodge the criminal action for copyright infringement with the judicial bodies. This term-calculation was, nevertheless, rejected on appeal by the higher court,[265] which held that the limitation period continued to run until the date on which the police had received the criminal complaint from the RCO – that is to say, until November 2004 – more than five years after the offence had been committed. In reaching this conclusion, no reference was made to the civil complaint lodged by the applicant.

The applicant then appealed to the ECtHR, which found that the domestic courts' restrictive interpretation of the limitation period for lodging the copyright infringement claim had deprived the applicant of

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[263] In the present case, that date was the publication of the album in April 1999.

[264] Călăraşi County Court, judgment of 24 November 2005.

[265] Bucharest Court of Appeal, judgment of 17 February 2006.

access to a remedy that would have enabled him to obtain the compensation claimed. While stressing that 'the requirement to lodge a judicial claim within a statutory time-limit is not, in itself, incompatible with Article 6 § 1 of the Convention' as serving the aims of legal certainty and the proper administration of justice,[266] the Court nevertheless noted that 'the right of access to court is impaired when the rules cease to serve [those aims] and form a sort of barrier preventing the litigant from having his or her case determined on the merits by the competent court'.[267] Applying these rules to the facts of the applicant's case, the ECtHR considered that the date that should have been taken into account by the domestic courts was the date when the applicant had lodged his complaint with the Copyright Office and not the date when that complaint was forwarded by the latter to the police. In reaching this conclusion, the Court took notice of the fact that the time it took for the RCO to conduct an investigation could not be imputable to the applicant.[268] Furthermore, the procedural particularities of the Romanian system for filing a criminal copyright infringement action did not allow the applicant to lodge his complaint directly with the courts.[269] Finally, as it concerned the applicant's joined civil action, the Court observed that the domestic rules of criminal procedure required a criminal court to settle a civil action once it decided to discontinue the criminal proceedings.[270] In light of the above, the ECtHR concluded that

> the interpretation of the time-limit by the court of last resort, followed by the non-examination of the joined civil claim, precluded a full examination of the merits of the case and impaired the very essence of the applicant's right of access to a court for the purpose of the determination of his civil rights and obligations.[271]

Another aspect of the right to access relating to the situation when the excessive costs of proceedings impede judicial review of a case was examined in two patent disputes. In one of those, *X. v. Switzerland*,[272] the question was raised whether the denial of free legal aid and the obligation

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[266] ECtHR, *Dumitru Gheorghe v. Romania*, no 33883/06, 12 April 2016, CE:ECHR:2016:0412JUD003388306, para 27.

[267] Ibid., para 28.

[268] Ibid., para 31.

[269] Ibid., para 32.

[270] Ibid., para 33.

[271] Ibid., para 34.

[272] ECommHR, *X. v. Switzerland* (dec.), no 6958/75, 10 December 1975, CE:ECHR:1975:1210DEC000695875.

to pay a large deposit in order to pursue an action for damage in a patent infringement suit did not prevent the applicant from going before the courts. In the second case, *Sté. MATROT v. France*,[273] the issue at stake was an inability of a defendant in civil proceedings (the company Sté. MATROT) to appeal on points of law without paying significant damages awarded to the claimant by the judgment Sté. MATROT intended to appeal. In both instances, the applicants' claims were rejected as manifestly ill-founded. Although reiterating, in relation to the first case, that high costs of proceedings may raise an issue under Article 6(1) (fair hearing) of the Convention in certain circumstances,[274] the Commission of Human Rights nevertheless relied on the national court's finding according to which the action for damage in the applicant's case was without any prospect of success.[275] The Commission further considered that the amount of the deposit was not disproportionate to the size of the claim.[276] As concerns the second case, the requirement to pay damages was likewise found proportionate in view of the commercial nature of the dispute, the manner in which the damages were calculated and the applicant company's failure to provide any evidence of its financial situation.[277]

An interesting case pertaining to the legal costs of proceedings and their proper allocation – a separate issue under the right of access to court – came under the scrutiny of the Strasbourg Court in December 2016. In this case the applicant, a certain Mr. Jensen, had been condemned to pay legal costs of an unspecified amount.[278] He was convicted in 2009 in Denmark of violation of intellectual property rights involving the marketing of substantial quantities of counterfeit designer goods such as knives, lamps and similar products. The judgment, which was read aloud to the applicant, stated that he had to pay legal costs, including the lawyers' fees. The applicant did not appeal that judgment. However, in 2010, he was informed that the legal costs he had to pay amounted to approximately 77,000 euros – a decision which the applicant appealed to

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[273] ECtHR, *Sté. MATROT v. France* (dec.), no 43798/98, 13 December 2001, CE:ECHR:2001:1213DEC004379898 (available only in French).

[274] ECommHR, *X. v. Switzerland* (dec.), no 6958/75, 10 December 1975, CE:ECHR:1975:1210DEC000695875.

[275] Ibid.

[276] Ibid.

[277] ECtHR, *Sté. MATROT v. France* (dec.), no 43798/98, 13 December 2001, CE:ECHR:2001:1213DEC004379898 (available only in French), para 1.

[278] ECtHR, *Jensen v. Denmark*, no 8693/11, 13 December 2016, CE:ECHR:2016:1213JUD000869311.

the High Court. He claimed that the costs had to be paid entirely or partly by the Treasury. His appeal was, however, dismissed because it was lodged after the statutory allotted time-limit. According to the High Court, this time-limit for an appeal (fourteen days) should in this case be calculated from the moment the applicant was informed of the decision that he had to pay legal costs, even if he only later learned how much the legal costs amounted to. This was because the appeal concerned the order to pay the legal costs, and not the actual amount of the legal fees.

The applicant appealed to the ECtHR, complaining about the system of imposing a duty to pay legal costs in a judgment without specifying the amount. The Court, however, rejected his claim holding that there had been no violation of Article 6(1) (access to court) ECHR. It endorsed, essentially, the decision of the Danish High Court, observing that the applicant's appeal did not concern the amount of fees he was ordered to pay, but solely his duty to pay his legal costs.[279] It thus followed that the time-limit ran from the date of the judgment and not from the date when the exact amount of the fees was communicated to the applicant. As to the applicant's argument that, at the time of the judgment, he was not aware that the legal costs would be so burdensome (and could not therefore effectively apprise himself of the decision imposing the duty to pay those costs on him), the Court observed that the applicant could have still argued, even without knowing the exact amount of the legal costs, that those had to be paid by the Treasury.[280] Since the applicant did not lodge such an appeal until the expiration of the time-limit for doing so, the High Court's dismissal of his appeal was a foreseeable reaction. The Court further observed that the applicant also had an opportunity to lodge a complaint about the exact amount of legal costs and that the time-limit for such a complaint would have started to run from the date on which the applicant had been informed of that exact amount.[281] The applicant had, however, chosen not to do so.

Moving further, Article 6(1) ECHR may also be breached where the length of domestic proceedings renders the applicant's right of access to a court illusory. The case of *Kristiansen and Tyvik v. Norway*[282] is a good illustration. It concerned the refusal by the Norwegian Industrial Property Office (NIPO) of a patent application almost eighteen years after that application was filed. By that time, had a patent been granted in Norway,

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[279] Ibid., para 37.
[280] Ibid., para 41.
[281] Ibid., para 42.
[282] ECtHR, *Kristiansen and Tyvik v. Norway*, no 25498/08, 2 May 2013, CE:ECHR:2013:0502JUD002549808.

its protection would have expired just two years later, since, according to the Norwegian Patents Act of 1967, a granted patent could be maintained for up to twenty years from the filing date of the patent application.

Before the ECtHR, the applicants complained that, only when the NIPO had given its final decision rejecting their patent application, were they in a position to institute judicial proceedings to have their matter reviewed by the courts. This was, however, practically meaningless by that time, given the twenty years' limitation on patent protection under the Patents Act. The ECtHR held that this situation had indeed amounted to a violation of Article 6(1) (access to court) ECHR. In view of the average processing time of two to three years, the Court was not convinced by the argument brought forward by the Norwegian Government that the patent authorities could not have determined the applicants' patent application earlier. The ECtHR also took note of the fact that, although one of the applicants contributed to the length of the proceedings, this was not solely his responsibility, and that substantial delays were attributable to the NIPO.[283] It thus followed that, in a situation of administrative delay such as in the applicants' case, the rule whereby patent rights were protected for twenty years from the date of the filing of the patent application had the effect of undermining the possibility of having such rights established through the use of judicial remedies.[284]

Finally, the lack of judicial review of the decisions of the EPO had given rise to a series of applications to the ECtHR from the standpoint of the right to a court.[285] All of these were nevertheless dismissed by the Convention organs as inadmissible on grounds identical to those advanced in relation to the applicants' property claims in cases that have already been discussed above – notably, for the reason of 'equivalent protection' provided by the European Patent Convention as regards the ECHR.[286] Emphasis was also placed on the fact that, in deciding not to

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[283] Ibid., paras 54–56.

[284] Ibid., para 57. Having reached this conclusion, the Court did not find that any separate issue arose in relation to the requirement under Article 6(1) of the Convention that national proceedings be concluded 'within a reasonable time' (on this aspect of the right to a fair trial, see section 5.8 below).

[285] ECommHR, *Reber, Reber Systematik GmbH and Kinkel v. Germany* (dec.), no 27410/95, 12 April 1996, CE:ECHR:1996:0412DEC002741095; ECommHR, *Lenzing AG v. Germany* (dec.), no 39025/97, 9 September 1998, CE:ECHR:1998:0909DEC003902597; ECommHR, *Lenzing AG v. the United Kingdom* (dec.), no 38817/97, 9 September 1998, CE:ECHR:1998:0909 DEC003881797; ECtHR, *Rambus Inc. v. Germany* (dec.), no 40382/04, 16 June 2009, CE:ECHR:2009:0616DEC004038204.

[286] See section 1.3 above.

register patents separately in a number of European countries, but rather to avail themselves of the EPO registration scheme, the applicants in these cases accepted the limitation on access to court in the various domestic systems which that choice brought with it.[287]

5.2 *Res Judicata*

Another fair trial guarantee – the principle of finality of court decisions, or *res judicata* – was examined at length in two cases against Romania which concerned the quashing of a final court judgment in the applicant companies' favour following an application for nullity lodged by the General Prosecutor of Romania. One of those cases pertained to a dispute over exploitation rights for the translation of a novel;[288] another to the right of exclusive use of the applicant company's trademark.[289] In both those cases a violation of Article 6(1) (*res judicata*), as well as of the applicants' property (Article 1 of Protocol No. 1) was established because an application for nullity lodged by the public prosecutor – who was not a party to the proceedings – amounted to an extraordinary remedy contrary to the principle of legal certainty.[290]

5.3 Independence and Impartiality

A tribunal's independence and impartiality was questioned in several intellectual property cases brought before the ECtHR.[291] The most

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[287] That limitation, in turn, was regarded proportionate to the legitimate aim of ensuring an effective European system of registration of patents (see e.g. ECommHR, *Lenzing AG v. the United Kingdom* (dec.), no 38817/97, 9 September 1998, CE:ECHR:1998:0909DEC003881797, para 1). For a critical assessment of a lack of judicial control over the EPO, see the sources listed in note 113.

[288] ECtHR, *SC Editura Orizonturi SRL v. Romania*, no 15872/03, 13 May 2008, CE:ECHR:2008:0513JUD001587203 (available only in French).

[289] ECtHR, *SC Parmalat Spa and SC Parmalat Romania SA v. Romania*, no 37442/03, 21 February 2008, CE:ECHR:2008:0221JUD003744203 (available only in French).

[290] ECtHR, *SC Editura Orizonturi SRL v. Romania*, no 15872/03, 13 May 2008, CE:ECHR:2008:0513JUD001587203 (available only in French), paras 61–64; ECtHR, *SC Parmalat Spa and SC Parmalat Romania SA v. Romania*, no 37442/03, 21 February 2008, CE:ECHR:2008:0221JUD003744203 (available only in French), paras 25–28.

[291] ECtHR, *Dima v. Romania* (dec.), no 58472/00, 26 May 2005, CE:ECHR:2005:0526DEC005847200 (copyright, available only in French); ECommHR, *Smith Kline v. the Netherlands* (report (28)), no 12633/87, 10 July

indicative is the *British-American Tobacco* case,[292] in which the applicant company challenged the institutional structure of the Netherlands Patent Office, arguing that the latter had failed to provide the requisites of an independent and impartial tribunal, in particular with regard to the manner of appointment of its members. British-American Tobacco maintained in particular that the members of the Appeals Division and the Examination Division were part of the same administrative body, the Patent Office, and were appointed on an interchangeable basis for each individual case by the Central Division of the Patent Office. The composition of the Appeals Division was entirely left to the discretion of the Central Division, without any possibility for third parties to object. There was no formal guarantee against dismissal or suspension. In this respect, the applicant company referred to a case in which a member of the Patent Office, who refused to carry out an order by his superior, was dismissed. The British-American Tobacco company submitted, finally, that Dutch law did not provide for the possibility to appeal to a tribunal satisfying the Convention fair trial requirements against a decision of the Appeals Division and that the proceedings before the latter were not transparent.

The case was first examined by the European Commission of Human Rights, which considered that, although there was no manifestation of any personal bias on the part of the members of Appeals Division of the Patent Office, its organisational structure failed to demonstrate the objective appearance of impartiality.[293] Furthermore, it had not been shown that the Dutch civil courts had ever considered themselves competent to review the decisions of the Appeals Division.[294] The

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1991, CE:ECHR:1991:0710REP001263387 (patents); ECtHR, *British-American Tobacco Company Ltd v. the Netherlands*, no 19589/92, 20 November 1995, CE:ECHR:1995:1120JUD001958992 (patents, discussed below); ECtHR, *Binder v. Germany* (dec.), no 44455/07, 20 September 2011, CE:ECHR:2011:0920DEC004445507 (patents).

[292] ECtHR, *British-American Tobacco Company Ltd v. the Netherlands*, no 19589/92, 20 November 1995, CE:ECHR:1995:1120JUD001958992. On this case, see B Goebel, 'Trademarks as Fundamental Rights – Europe' (2009) 99 Trademark Reporter 931, 937; J Griffiths, 'Enforcement of Intellectual Property Rights and the Right to a Fair Trial' *supra* note 254, 443; and C Holtz, *Due Process for Industrial Property: European Patenting under Human Rights Control* (Handelshögskolan i Stockholm, Rättsveternskapliga institutionen, 2003) 131, 132, 156 and 207.

[293] ECommHR, *The B. Company v. the Netherlands* (report (31)), no 19589/92, 19 May 1994, CE:ECHR:1994:0519REP001958992, paras 53–68.

[294] Ibid., para 67.

Commission therefore concluded that the applicant company's case was not heard by an independent and impartial tribunal and that it had not been established that a remedy before such a tribunal was available to the company.[295] The Strasbourg Court, however, disagreed with this opinion of the Commission in a judgment of November 1995.[296] It noted that, although it was true that no Netherlands civil court had ever held itself competent to review the decisions of any Division of the Patent Office regarding patent applications, it could not be inferred from this – absent a ruling to the contrary – that the civil-court remedy was 'ineffective'.[297] Accordingly, the applicant company had the possibility, under the domestic law, to bring the case before the civil courts in order to establish whether the Appeals Division was a 'tribunal' offering safeguards required by Article 6(1) (fair hearing) ECHR. If the civil courts had found that the Appeals Division had lacked the ECHR standards, they would have had full jurisdiction to rule on the merits of the patent application.[298] Since the applicant company chose not to avail itself of that judicial remedy, irrespective of what could have been the reasons for that, the Court concluded that there had been no violation of Article 6(1) (fair hearing) ECHR.[299]

5.4 Equality of Arms and Adversarial Proceedings

The right to adversarial proceedings and equality of arms was considered by the Convention institutions on only two occasions, both involving Finnish patent proceedings. The first case, decided back in 1997, concerned the refusal of the applicant company's patent application before the Finnish Board of Patents and Registers on the grounds that the invention lacked the required inventive character.[300] It appeared that the Board's organs had mentioned in their decisions a document filed by an interested third party, which had not been previously communicated to the applicant company. On that basis, the applicant company alleged that the principle of equality of arms had not been respected. Another case, decided some eighteen years later, pertained to the civil proceedings

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[295] Ibid., para 68.

[296] ECtHR, *British-American Tobacco Company Ltd v. the Netherlands*, no 19589/92, 20 November 1995, CE:ECHR:1995:1120JUD001958992.

[297] Ibid., paras 82–83.

[298] Ibid., para 84.

[299] Ibid., paras 86–87.

[300] ECommHR, *Brown & Williamson Tobacco Corporation v. Finland* (report), no 23749/94, 2 December 1997, CE:ECHR:1997:1202REP002374994.

initiated by an applicant who sought compensation for a patent licence.[301] In accordance with the patent law in force at the time of the hearing, two technical experts were appointed by the Finland District Court to provide expertise. This was, however, delivered to the parties only together with the District Court judgment, thereby excluding the possibility of commenting on it.

In the Convention organs' opinion, none of the situations amounted to a violation of the principles of equality of arms or adversarial proceedings. According to the Court and its former Commission, in both instances the applicants had the opportunity to submit their comments in their subsequent appeals to the courts[302] or higher judicial bodies.[303] Accordingly, any alleged procedural error before the Patent Office or the trial court would have been corrected in the (later) judicial proceedings.

5.5 Administration of Evidence

The rules on the administration of evidence – another procedural guarantee of the right to a fair trial – were implicated in several cases on intellectual property.[304] What could be inferred from those cases, as well as from the general body of the Court's case law on the questions of evidence, is that in an overwhelming majority of situations, the Court abstains from interfering with the way the evidence is administered by the domestic courts. According to the ECtHR, '[t]he admissibility of evidence is primarily a matter for regulation by national law and, as a rule, it is for the national courts to assess the evidence before them'.[305] The Strasbourg Court's task is limited to 'ascertain[ing] whether the

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[301] ECtHR, *Vazvan v. Finland* (dec.), no 61815/13, 3 November 2015, CE:ECHR:2015:1103DEC006181513.

[302] ECommHR, *Brown & Williamson Tobacco Corporation v. Finland* (report), no 23749/94, 2 December 1997, CE:ECHR:1997:1202REP002374994, para 74.

[303] ECtHR, *Vazvan v. Finland* (dec.), no 61815/13, 3 November 2015, CE:ECHR:2015:1103DEC006181513, para 32.

[304] ECommHR, *B.A.T. v. Switzerland* (dec.), no 26684/95, 4 September 1996, CE:ECHR:1996:0904DEC002668495 (patents, available only in French); ECtHR, *Kessler v. Switzerland* (dec.), no 56933/00, 14 September 2004, CE:ECHR:2004:0914DEC005693300 (copyright, available only in French, discussed below); ECtHR, *Dima v. Romania* (dec.), no 58472/00, 26 May 2005, CE:ECHR:2005:0526DEC005847200 (copyright, available only in French).

[305] See, among many other authorities, ECtHR, *Ramanauskas v. Lithuania* [GC], no 74420/01, 5 February 2008, CE:ECHR:2008:0205JUD007442001, para 52.

proceedings as a whole, including the way in which evidence was taken, were fair'.[306] The case of *Kessler v. Switzerland* is a good example.[307]

The applicant, the president of an animal protection association, published in the association's magazine two articles criticising the practice of fishing with live bait. In his articles, he used four drawings taken from the fisheries magazine *Petri Heil*, without, however, indicating their source and without requesting a prior permission for the publication of the drawings – an act that subsequently resulted in the applicant's conviction for copyright infringement.[308]

In his application to the ECtHR, the applicant complained, among other things, that the domestic courts did not consider some of the evidence and arguments advanced by him, including on the applicability to his case of the quotation and news reporting exceptions to copyright and on the general public interest in the contested publication. Having recalled at the outset that the admissibility of evidence was primarily a matter for regulation by national law,[309] the Court observed that the judgment in the applicant's case:

> was taken following the adversarial proceedings during which the applicant was able to challenge the grounds put forward by the opposing party and to submit the arguments he considered relevant to his case. The courts have assessed the credibility of the various items of evidence submitted in the light of the circumstances of the case and duly gave reasons for their decisions in this connection.[310]

In the ECtHR's opinion, it '[did] not appear that these courts have drawn any arbitrary conclusions from the facts submitted to them or have exceeded the limits of a reasonable interpretation of the legislation applicable to the present case'.[311] It thus followed that the applicant's complaint had to be rejected as manifestly ill-founded.[312]

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306 Ibid.

307 ECtHR, *Kessler v. Switzerland* (dec.), no 56933/00, 14 September 2004, CE:ECHR:2004:0914DEC005693300 (available only in French).

308 The applicant was ordered, notably, to pay 1,390 euros in compensation for unauthorised use of protected works (the High Court of the Canton of Thurgau (*Tribunal supérieur du canton de Thurgovie*), judgment of 6 July 1999, upheld on appeal by the Swiss Federal Supreme Court (*Tribunal fédéral*), judgment of 15 March 2000).

309 ECtHR, *Kessler v. Switzerland* (dec.), no 56933/00, 14 September 2004, CE:ECHR:2004:0914DEC005693300 (available only in French), para 3.b.

310 Ibid., translation from French by the authors.

311 Ibid.

312 Ibid.

5.6 Oral Hearing

An entitlement to an oral hearing, as one of the instances of the right to a fair trial, was discussed in a number of patent cases brought before the Strasbourg Court.[313] Thus, an absence of an oral hearing in the appeal stage of patent validity proceedings was contested in the case of *B.A.T. v. Switzerland*[314] and found justified by the highly technical and purely legal nature of the proceedings in question.[315] The Commission also stressed in that case that the applicant's claim did not concern the absence of an oral hearing throughout the entire proceedings but only for one instance and that the absence of an oral hearing on appeal was justified by the fact that the hearing took place at the trial court level.[316] Analogously, the lack of an oral hearing in the patent application proceedings before the national patent office was considered sufficiently remedied by the possibility to lodge a further appeal with the court.[317]

5.7 Reasoned Judicial Decision

The right to a fair trial also encompasses an important guarantee of a sufficiently reasoned judicial decision. This was considered, in the intellectual property context, on a number of occasions,[318] some of which even gave rise to a finding of violation of Article 6(1) (reasoned judicial

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[313] ECommHR, *University of Illinois Foundation v. the Netherlands* (dec.), no 12048/86, 2 May 1988, CE:ECHR:1988:0502DEC001204886; ECommHR, *B.A.T. v. Switzerland* (dec.), no 26684/95, 4 September 1996, CE:ECHR:1996:0904DEC002668495 (available only in French); ECommHR, *Brown & Williamson Tobacco Corporation v. Finland* (report), no 23749/94, 2 December 1997, CE:ECHR:1997:1202REP002374994.

[314] ECommHR, *B.A.T. v. Switzerland* (dec.), no 26684/95, 4 September 1996, CE:ECHR:1996:0904DEC002668495 (available only in French).

[315] Ibid., para 2.

[316] Ibid. For further discussion of the entitlement to an oral hearing under the Convention case law, see European Court of Human Rights – Research Division, *Guide on Article 6: Right to a Fair Trial (Civil Limb)* (Council of Europe / European Court of Human Rights, 2013), paras 249–256.

[317] ECommHR, *Brown & Williamson Tobacco Corporation v. Finland* (report), no 23749/94, 2 December 1997, CE:ECHR:1997:1202REP002374994, paras 55–56.

[318] ECommHR, *Metrat v. France* (dec.), no 23016/93, 18 May 1994, CE:ECHR:1994:0518DEC002301693 (copyright, available only in French); ECtHR, *Hiro Balani v. Spain*, no 18064/91, 9 December 1994, CE:ECHR:1994:1209JUD001806491 (trademarks); ECommHR, *Denev v. Sweden* (dec.), no 25419/94, 9 April 1997, CE:ECHR:1997:0409DEC002541994 (design); ECtHR,

decision) ECHR. This was the case, for example, in the above-mentioned *Dima v. Romania* dispute[319] which concerned the Romanian Supreme Court's failure to address one of the applicant's grounds for appeal relating to the invalidity of an accounting expertise that served as a basis for rejection of his copyright claims by the lower courts. In the ECtHR's opinion, insofar as that submission was crucial to the outcome of the proceedings, it required a specific and explicit reply, in the absence of which there had been a violation of Article 6(1) (fairness) ECHR.[320] Similarly, the court's failure to address the applicant's argument relating to her trademark's priority amounted to a violation of the Convention's right to a fair trial.[321] Article 6 ECHR, while not requiring a detailed answer to every argument, obliged the courts deciding on the merits to give a reply to at least those applicants' submissions that were the subject of argument.[322]

5.8 Reasonable Time Guarantee

A great number of cases on the intersection of intellectual property and the right to a fair trial concern the allegedly excessive length of proceedings. When deciding on this type of a dispute, the ECtHR will 'hav[e] regard to the criteria laid down in the Court's case-law, in particular the complexity of the case and the conduct of the applicant and of the authorities dealing with the case as well as what was at stake for the applicant'.[323]

Dima v. Romania, no 58472/00, 16 November 2006, CE:ECHR:2006:1116JUD005847200 (copyright, available only in French).

[319] ECtHR, *Dima v. Romania*, no 58472/00, 16 November 2006, CE:ECHR:2006:1116JUD005847200 (available only in French).

[320] Ibid., paras 39–41.

[321] ECtHR, *Hiro Balani v. Spain*, no 18064/91, 9 December 1994, CE:ECHR:1994:1209JUD001806491.

[322] Ibid., paras 27–28. By contrast, a failure of an administrative court to state reasons for refusing the applicant's appeal petition in the design registration proceedings was found justified on consideration that, whenever the national law conditioned – as was the issue in the applicant's case – acceptance of an appeal to a decision by the competent court, a simple refusal or acceptance of a petition by that court was sufficient (ECommHR, *Denev v. Sweden* (dec.), no 25419/94, 9 April 1997, CE:ECHR:1997:0409DEC002541994).

[323] See, among many other authorities, ECtHR, *Nemec and Others v. Slovakia*, no 48672/99, 15 November 2001, CE:ECHR:2001:1115JUD 004867299, para 34.

In the vast majority of such cases, the approach of the ECtHR would be largely the same as that applicable to any other type of (non-IP) dispute. A few minor particularities could be found only in the heightened technical complexity of patent (but also certain copyright and other IP) litigation which might serve as a justification for the otherwise excessive duration of the proceedings. Thus, no violation of Article 6(1) (length) was found in the case of *Zhurba v. Ukraine*[324] concerning the claim for compensation for the applicant's 'innovative proposal'[325] which consisted in re-engineering of the heating system in the company where the applicant worked as a senior engineer, and which allegedly created significant savings for his employer. In that case, the duration of the proceedings, which lasted four years and five months, was not found unreasonable due mainly to the 'complexity of the controversial intellectual property issues at heart of the dispute'.[326] Analogously, the factual complexity of a copyright infringement dispute over unauthorised reproduction of the applicant's photographs in a travel guide by a Georgian company contributed, together with several other factors, to the finding that the overall length of the less-than-four-year proceedings was not excessive.[327] To the contrary, a violation of a reasonable time guarantee

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[324] ECtHR, *Zhurba v. Ukraine* (dec.), no 11215/03, 19 June 2007, CE:ECHR:2007:0619DEC001121503.

[325] The Civil Code of Ukraine recognises an 'innovative proposal' (*раціоналізаторська пропозиція*) among the subject-matters of intellectual property rights alongside literary works, computer programs, trademarks, etc. (see Article 420 of the Civil Code of Ukraine, No. 435-IV of 16 January 2003 (as amended up to 2 November 2016) (UA127) (available in Ukrainian) <http://www.wipo.int/wipolex/en/details.jsp?id=6071> accessed December 2017). According to Article 481(1) of the Code, '[a]n innovative proposal is a proposal which is recognised by a legal entity and which contains a technological (technical) or organizational solution in any field of activity'. 'The rights in innovative proposal vest in its author and the legal entity to which such a proposal is submitted' (Article 483(1)). 'The author of an innovative proposal shall have the right to fair remuneration by the legal entity to which this proposal is submitted', whereas '[the] legal entity that has recognized an innovative proposal has the right to use this proposal to any extent' (Article 484 of the Code) (translation from Ukrainian by the authors).

[326] ECtHR, *Zhurba v. Ukraine* (dec.), no 11215/03, 19 June 2007, CE:ECHR:2007:0619DEC001121503, para 1.

[327] ECtHR, *Schrade v. Georgia* (dec.), no 9289/08, 2 February 2016, CE:ECHR:2016:0202DEC000928908, para 29. The other factors taken into consideration in this regard were: (1) the fact that the proceedings 'were spanned over three levels of jurisdiction, some of which were called to examine the case twice'; (2) the fact that the applicant had contributed by his own conduct to

was established in the case of *Jamriška v. Slovakia*[328] in which the applicant sought acknowledgement of patent rights and compensation for two technological improvements proposed by him to his employer. According to the Court, the proceedings in that case (that lasted in their relevant part for five years and ten months), although complex, were delayed mainly due to the failure of the trial court to proceed with the case in an effective manner.[329] Accordingly, the technical complexity of the dispute was not enough to justify its protracted duration.

It is worth mentioning further that in a number of intellectual property cases where the applicants complained about excessive length of domestic proceedings, the Court analysed those claims not only from the perspective of Article 6(1) (fair hearing) ECHR, but also from the standpoint of Article 13 of the Convention which guarantees the right to an effective national remedy.[330]

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certain delays in the proceedings, which 'were then validly stayed pending the outcome of the associated criminal proceedings'; and (3) 'the overall conduct of the authorities which [could not] be blamed for lack of due diligence' (id.).

328 ECtHR, *Jamriška v. Slovakia*, no 51559/99, 14 October 2003, CE:ECHR:2003:1014JUD005155999.

329 Ibid., paras 29–31.

330 See, establishing a violation of both provisions, ECtHR, *Kuzin v. Russia*, no 22118/02, 9 June 2005, CE:ECHR:2005:0609JUD002211802 (civil proceedings concerning recognition of the applicant's copyright and an award of damages that lasted more than five and a half years in one court); ECtHR, *Abramiuc v. Romania*, no 37411/02, 24 February 2009, CE:ECHR:2009:0224JUD003741102 (available only in French) (alleged lack of an effective remedy whereby the applicant could have raised a complaint based on the excessive length of the two sets of proceedings in a patent infringement dispute); ECtHR, *Mol v. the Netherlands* (dec.), no 10470/07, 16 June 2009, CE:ECHR:2009:0616DEC001047007 (proceedings in a civil dispute concerning alleged infringement of intellectual property rights to a computer program that lasted for more than fifteen years); ECtHR, *Mirković v. Serbia* (dec.), no 40053/06, 23 March 2010, CE:ECHR:2010:0323DEC004005306 (proceedings in a copyright-related civil suit that lasted in their relevant part for more than six years); ECtHR, *Zarubica v. Serbia* (dec.), no 47250/07, 11 May 2010, CE:ECHR:2010:0511DEC004725007 (proceedings in a copyright-related civil suit that lasted in their relevant part for more than six years). For examples of cases where these two provisions were considered separately, see ECtHR, *Zhurba v. Ukraine* (dec.), no 11215/03, 19 June 2007, CE:ECHR:2007:0619DEC001121503 (civil proceedings seeking to have the applicant's works declared 'an innovative proposal' and to obtain remuneration that lasted in their relevant part four years and five months before three levels of jurisdiction); ECtHR, *Rapos v. Slovakia*, no 25763/02, 20 May 2008, CE:ECHR:2008:0520JUD002576302 (civil proceedings in the applicant's action in a design dispute that lasted more than twelve years for

As already discussed, the ECtHR's approach to the resolution of the length-of-proceedings disputes in the IP context does not differ substantially from what would be adopted in connection to non-IP cases.[331] The case of *Denev v. Sweden*[332] stands out in this general pattern. There, a finding of violation of Article 6(1) (length) ECHR arose, mainly, not out of the assessment of the common criteria laid down in the Court's case law, but from the particular subject-matter of the action. The case concerned the proceedings before administrative courts decisive for the registration of the applicant's design, which, although normally taking one month at each level, lasted for almost four years in the applicant's case. Complaining about the excessive length of proceedings in his case, the applicant maintained that, had his design eventually been registered, the protection afforded would have been practically useless given the fact that it would have been about to expire in view of the five-year limitation on the period of protection calculated *from the date of the filing of a design application*. The Human Rights Commission agreed, holding that there had been a violation of Article 6(1) (reasonable time) of the Convention.[333] It noted that

> special regard should be had to the fact that the registration of a design – should it be granted – is valid for only five years from the date of the filing of the application. In the light of the criteria established by the case-law and having regard to the circumstances of the present case, the Commission therefore considers that the length of the proceedings was excessive and failed to meet the 'reasonable time' requirement.[334]

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two levels of jurisdiction). On the relationship between Article 6(1) (reasonable time) and Article 13 (effective remedy) ECHR, see D J Harris, M O'Boyle, E P Bates and C M Buckley, *Harris, O'Boyle & Warbrick: Law of the European Convention on Human Rights* (2nd edition, Oxford, Oxford University Press, 2009) 570–572.

[331] See in this sense J Griffiths, 'Enforcement of Intellectual Property Rights and the Right to a Fair Trial' *supra* note 254, observing at p. 443 that '[t]here seems little obvious reason why the right to a timely trial should be more likely to be breached in intellectual property proceedings than in any other form of trial'.

[332] ECommHR, *Denev v. Sweden* (report (31)), no 25419/94, 14 January 1998, CE:ECHR:1998:0114REP002541994. On this case, see C Holtz, *Due Process for Industrial Property supra* note 292, 76, 172, 203, 393–394 and 485.

[333] ECommHR, *Denev v. Sweden* (report (31)), no 25419/94, 14 January 1998, CE:ECHR:1998:0114REP002541994, para 38.

[334] Ibid., para 37. Cf. ECtHR, *Kristiansen and Tyvik v. Norway*, no 25498/08, 2 May 2013, CE:ECHR:2013:0502JUD002549808, discussed above.

5.9 Further Guarantees in Criminal Proceedings

Whereas the above-discussed fair trial guarantees apply to both civil and criminal proceedings, the ECHR provides some additional safeguards to the parties to criminal cases. These are likewise featured in a number of intellectual property decisions.[335] The most interesting example is probably the guarantee of legality which was at stake in the case of *Ashby Donald* discussed above.[336] There, the applicants complained (alongside a violation of their freedom to impart information) about a restrictive interpretation by national courts of the internal copyright exception allowing the reproduction of artistic works for news reporting.[337] As already mentioned, the French courts ruled the exception in question (on which the applicants built their defence) 'inapplicable to the creations of the seasonal fashion industries and articles of fashion'[338] depicted on the applicants' photographs. According to the applicants, such an interpretation 'enlarged the scope of application of the offence of counterfeiting',[339] thereby running afoul of the principle enshrined in Article 7 ECHR that the criminal law must not be extensively construed to an accused's detriment. The ECtHR, however, refrained from intervening with the interpretation of French law adopted by the national courts (notably, the French Supreme Court), having reiterated that the Strasbourg Court's role was limited to verifying the compatibility of the effects of such an interpretation with the Convention. In the present case, the ECtHR observed: 'the Supreme Court decided on the scope of

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[335] On the rights of defence, see ECommHR, *EVORA B.V. v. the Netherlands* (dec.), no 32601/96, 3 December 1997, CE:ECHR:1997:1203DEC003260196 (trademarks); ECtHR, *Eskelinen and Others v. Finland*, no 43803/98, 8 August 2006, CE:ECHR:2006:0808JUD004380398 (trade secrets); ECtHR, *Hanževački v. Croatia*, no 17182/07, 16 April 2009, CE:ECHR:2009:0416JUD001718207 (copyright – software). On the entrapment defence, see ECtHR, *Volkov and Adamskiy v. Russia*, nos 7614/09 and 30863/10, 26 March 2015, CE:ECHR: 2015:0326JUD000761409 (copyright – software).

[336] ECtHR, *Ashby Donald and Others v. France*, no 36769/08, 10 January 2013, CE:ECHR:2013:0110JUD003676908 (available only in French) (see section 2.1.2 above).

[337] Article L. 122-5 9° of the French Intellectual Property Code of 1 July 1992 (available in French) <http://www.wipo.int/wipolex/en/text.jsp?file_id=322949> accessed December 2017.

[338] ECtHR, *Ashby Donald and Others v. France*, no 36769/08, 10 January 2013, CE:ECHR:2013:0110JUD003676908 (available only in French), para 20, translation by the International Review of Intellectual Property and Competition Law: 45(3) IIC 354 (2014).

[339] Ibid.

application of an exception to the rule protecting the legitimate rights of authors. The Court does not consider that there is any element in its interpretation capable of constituting an infringement of the principles laid down by Article 7 of the Convention.'[340]

5.10 Enforcement of a Final Judicial Decision

The last procedural guarantee that gave rise to a number of cases in respect of intellectual property proceedings is the right to the timely enforcement of final court decisions. Thus, an eleven-year delay in enforcing the final judgment ordering the State-owned company to compensate the applicant for an unauthorised use of his invention was found contrary to both Article 6(1) (enforcement of a final court decision) ECHR and Article 1 of Protocol No. 1 (protection of property) ECHR.[341] On another occasion, a failure to enforce a final court judgment awarding the applicant royalties for the use of a patent which was attributable to several procedural errors on the part of domestic courts had likewise resulted in a finding of a violation of the Convention.[342] On the other hand, a delay of almost five years in complying with a court judgment obliging the private debtor to pay the applicant damages for copyright infringement was not deemed inappropriate in terms of Article 6(1) ECHR in view of the private nature of a dispute and the applicant's own failure to display the necessary diligence in enforcing the judgment.[343]

CONCLUSION

A broader influence of human rights law on the European legal order has not bypassed the area of intellectual property.[344] In this process, a special role has devolved to the ECtHR as a principal guarantor, on the supranational level, of human rights protection in Europe.

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[340] Ibid., para 23.

[341] ECtHR, *Abramiuc v. Romania*, no 37411/02, 24 February 2009, CE:ECHR:2009:0224JUD003741102 (available only in French).

[342] ECtHR, *I.D. v. Romania*, no 3271/04, 23 March 2010, CE:ECHR:2010:0323JUD000327104 (available only in French).

[343] ECtHR, *Cerăceanu v. Romania (no. 1)*, no 31250/02, 4 March 2008, CE:ECHR:2008:0304JUD003125002 (available only in French).

[344] Ch Geiger, 'Fundamental Rights as Common Principles of European (and International) Intellectual Property Law' in A Ohly (ed.), *Common Principles of European Intellectual Property Law* (Tübingen, Mohr Siebeck, 2012) 223.

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So far the central focus has been on the Convention property and freedom of expression clauses. With regard to the former, the Strasbourg Court made it clear that Article 1 of the First Protocol to the ECHR applies to intellectual property as such and that its scope of influence is not limited to the disputes originating in a direct State action. According to the ECtHR, the Convention is also applicable, in certain circumstances, to private-party litigation. This is made possible because of the horizontal effect of the ECHR which imposes on States Parties to the Convention the positive obligation to ensure, primarily through their respective judicial systems, that the individual rights protected by the ECHR are not unduly restrained. However, the right to property being among the rights in respect of which the margin of appreciation accorded to domestic authorities 'usually deploys its full effect',[345] the national determinations on the applicants' IP rights are unlikely to be overturned in Strasbourg, except in the case of a flagrant violation. Since the scope of property protection is largely left to the discretion of national legislatures, limitations in the public interest are likely to be permissible in accordance with the concept of the social function of property. The danger of excessive protection of IP rights by the ECHR, as sometimes emphasised by some scholars,[346] should thus certainly not be overstated.[347]

With regard to the right to freedom of expression and information, likewise, the Court has developed an extensive body of case law in the area of intellectual property protection. It allowed, in particular, an external freedom of expression defence outside the traditional internal balancing mechanisms of copyright and trademark laws. At the same time, the Convention system did not clearly exclude the possibility of bringing forward an Article 10 ECHR argument in order to support an IP claim.

The Convention property and free expression provisions were, however, not the only ones the ECtHR used to interpret the scope of IP protection in Europe. Notably, the particular manner in which the remedies for infringement could be exercised actuated the guarantees of the Convention's right to privacy. This became very clear on application of the search orders based on a suspicion of IP infringement. Besides these (rather specific) cases, it has also been demonstrated that the right

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345 P Ducoulombier, 'Interaction between Human Rights' *supra* note 115, 46.

346 See, for example, R Burrell and D Gangjee, 'Trade Marks and Freedom of Expression – A Call for Caution' (2010) 41(5) IIC 544.

347 See further Ch Geiger, 'Implementing Intellectual Property Provisions in Human Rights Instruments' *supra* note 60, 661.

to privacy has broader (though largely theoretical, still) implications for the area of moral rights. Some case law has further emerged in relation to the right to not be discriminated against.

Not only material rights, but also the procedural guarantees of Article 6 (fair trial) ECHR apply to intellectual property disputes. In many instances, consideration of the intellectual property claims brought under this Convention provision does not differ substantially from any other type of (non-IP) dispute. In certain situations, however, the particular nature of IP rights and litigation is decisive for the final resolution of the case by the ECtHR.[348]

The already existing case law of the Strasbourg Court on IP that was the focus of this chapter, the Court's increased interest in approaching this type of (essentially private law) dispute from the external human rights perspective,[349] and the recent developments in the European legal arena, including an obligation of the EU to accede to the ECHR in the future – all this highlights the need for IP lawyers and judges to seriously rethink the role of the ECtHR judicial practice vis-à-vis the intellectual property framework of the EU and probably to study it more carefully.

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[348] See, for the most remarkable example in the context of a reasonable time guarantee, ECommHR, *Denev v. Sweden* (report (31)), no 25419/94, 14 January 1998, CE:ECHR:1998:0114REP002541994, discussed above.

[349] Out of almost 100 intellectual property disputes resolved by the Convention organs since the end of the 1960s, more than sixty cases were decided in the years 2000–2018. This comes to an average rate of 3.5 IP cases per year for the period from 2000 until June 2018 in comparison with the rate of slightly higher than one case per year for the period from 1968 until 1999. As of June 2018 an additional seven IP cases are pending before the Strasbourg Court.

2. The European Court of Human Rights: an unlikely forum for the enforcement of IP rights

Aurora Plomer

1. INTRODUCTION

Intellectual property rights are of little value to their holders in the absence of legal mechanisms to secure protection and obtain redress when these rights are infringed. Enforcement of IP has largely been a 'neglected child in the IP family'.[1] Prior to the adoption of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement there was no general obligation in international IP law Treaties for member States to adopt enforcement measures.[2] Part III of the TRIPS agreement has profoundly changed this.[3] World Trade Organization (WTO) members are obliged to introduce into their own domestic laws, and fair, equitable and effective civil and criminal legal remedies to ensure that IP rights are effectively enforced.[4] The spectrum of remedies envisaged by TRIPS is broad, spanning from civil damages to provisional injunctions, seizure and destruction of infringing goods[5] as well as criminal sanctions for wilful infringement.[6] Whilst TRIPS obliges member States to make

[1] P K Yu, 'Enforcement: An Overlooked Child of the Intellectual Property Family', in S Frankel and D J Gervais (eds), *The Internet and the Emerging Importance of New Forms of Intellectual Property* (Alphen aan den Rijn: Kluwer Law International 2016).

[2] S Frankel & D J Gervais, *International Intellectual Property* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing 2015).

[3] P K Yu, 'The TRIPS Enforcement Dispute' (2010) 89 Neb. L. Rev.: 1046.

[4] Articles 41–43 and 49, TRIPS Agreement.

[5] Articles 44–50, TRIPS Agreement.

[6] Article 6, TRIPS Agreement. See P Roffe and X Seuba (eds), *The ACTA and the Plurilateral Enforcement Agenda: Genesis and Aftermath* (New York: Cambridge University Press 2014).

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remedies available through their domestic legal systems, States have considerable discretion as to the choice of remedies and means of enforcement.[7] Likewise, TRIPS requires that parties to a dispute must have the opportunity to have their case reviewed by a national 'judicial authority' but does not prescribe a form of institutional design.[8] Moreover, Article 64 of TRIPS extends the WTO dispute settlement (DS) mechanism to IP disputes, enabling a contracting member State who believes that another State has violated TRIPS to bring the complaint to a WTO panel.[9] The DS mechanism may have its origins in an individual complaint to a member State but the parties to the dispute are not private parties but contracting States.[10] 'Enforcement' by a WTO panel will not provide individual compensation but will typically take the form of a report requiring the offending State to modify its legislation or face trade retaliation.[11] Since the adoption of TRIPS,[12] the requirement for enforcement mechanisms has further intensified in the Economic Partnerships (EPAs) and free trade agreements (FTAs) – the so-called TRIPS-plus agreements[13] – which mandate higher levels of protection enforced

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[7] For instance, a US challenge to China's enforcement of trademarks and copyright was unsuccessful because TRIPS does not have the level of specificity which the US claimed was required to be effective: WTO Panel Report, *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, WT/DS362/R (26 January 2009).

[8] Article 41, TRIPS Agreement.

[9] Article 64, TRIPS Agreement.

[10] For instance, in 2010 Brazil complained that the seizure of the shipment of Losartan Potassium by the Dutch authorities was inconsistent with the obligations of the European Union and of the Netherlands under the WTO Agreement. WT/DS409/1 IP/D/29 G/L/922.

[11] For instance, in 2000 Canada was found in breach of the WTO Agreement in failing to extend patent protection to twenty years and was required to amend its national law which provided a term of seventeen years: WTO Panel Report, *Canada – Term of Patent Protection,* WT/DS170/AB/R (12 October 2000). Commentators concur that the retaliation option is a 'nuclear' option which deprives the WTO of much of its byte: J H Reichman and D Lange, 'Bargaining around the TRIPS Agreement: The Case for Ongoing Public-Private Initiatives to Facilitate Worldwide Intellectual Property Transactions' (1998) D J Comp. & Int'l L. 9, 11.

[12] Article 1(1), TRIPS, allows members to adopt more extensive protection than that required by the agreement and leaves members free to determine the best way to implement the agreement within their own national legal systems.

[13] H Ullrich, R M Hilty, M Lamping and J Drexl (eds), *TRIPS Plus 20: From Trade Rules to Market Principles* (Heidelberg, New York, Dordrecht and London: Springer 2016).

through new tribunals or dispute settlement mechanisms operating alongside the WTO in line with the proliferation of international courts and tribunals in the last two decades.[14] Whereas many FTAs are in a black box, an extensive empirical study conducted in 2014 shows that FTAs have sharply increased since the 1990s and that over 80% of them include enforcement mechanisms.[15] The global phenomenon of the multiplication of international dispute settlement bodies and tribunals has prompted the question of what makes these institutions 'judicial bodies' or courts and what their 'enforcement' powers precisely consist of.[16] The European Court of Human Rights (ECtHR), unlike the WTO appellate panel or other dispute settlement bodies, is without doubt an archetype 'judicial authority' albeit subject to constitutional and political constraints.[17] It is a permanent court, staffed by judges. It has jurisdiction to

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[14] The rules and enforcement mechanisms are set by the members in a 'country-club' approach: D Gervais, 'China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights' (2009) 103.3 American Journal of International Law, 549–555. See also: Ch Geiger, 'Multilateralism vs Plurilateralism in International IP Law: Lessons to Be Learned from the Failure of the Anti-Counterfeiting Trade Agreement' (2015) 1, Rethinking International Intellectual Property, A CEIPI and ICTSD publication series 43–56; X Seuba, 'Substantive and Jurisdictional Challenges Arising from Bilateralism in Intellectual Property' (2015) 1. Rethinking International Intellectual Property, A CEIPI and ICTSD publication series, 57–68; X Seuba, 'Checks and Balances in the Intellectual Property Enforcement Field: Reconstructing EU Trade Agreements', in Ch Geiger (ed.), *Constructing European IP: Achievements and News Perspectives* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing 2013) 409–431.

[15] A Dür, L Baccini and M Elsig 'The Design of International Trade Agreements: Introducing a New Dataset' (2014) 9.3 The Review of International Organizations 353–375.

[16] Cesare P R Romano, 'Proliferation of International Judicial Bodies: The Pieces of the Puzzle' (1998) NYUJ Int'l L. & Pol. 31, 709; K J Alter, *The New Terrain of International Law: Courts, Politics, Rights* (Princeton: Princeton University Press 2014); M Rask Madsen, 'Judicial Globalization and Global Administrative Law: The Particularity of the Proliferation of International Courts', in Sabino Cassese (ed.) *Global Administrative Law: The Proliferation of International Courts* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing 2015).

[17] Following the approach adopted by Romano which defines an international judicial as a body which must fulfil five criteria. First it must be permanent, second it must have been established by an international instrument, third cases must be decided by resort to international law, fourth rules of procedure must pre-exist the case and fifth the outcome of the case must be legally binding. Op. cit. 16, pp. 713–714. M Rask Madsen, 'The European Court

hear individual complaints against contracting States and to order States which are found in breach of the Convention to pay damages to the aggrieved individual. On the other hand, as an international court with jurisdiction over human rights, the ECtHR is not an obvious choice for the enforcement of intellectual property rights (IPR). This is evident from the miniscule docket of IPR cases heard by the Court in sharp contrast to the hundreds of thousands of individual applications relating to other alleged violations of the European Convention on Human Rights (ECHR). As noted by the Grand Chamber (GC) in *Anheuser-Busch Inc.* the Convention institutions have 'only very rarely' been called upon to rule on questions of intellectual property.[18] Why are so few IPR claims brought to the ECtHR? Why would aggrieved individuals or corporations seek enforcement of their intellectual property rights in the European Court of Human Rights? What remedies could they secure and how do these remedies compare to those available in national courts? The legal commentary is scarce. IP scholars have discussed the Court's case law in discrete areas of IP,[19] analysed the Court's jurisdiction as an international court[20] and reconstructed the Court's decisions in terms of overarching normative 'paradigms'.[21] What is missing from this literature is an analysis of the constitutional limitations on the Court's jurisdiction on property rights and how these limitations constrain the role of the Court in defining the scope of IP rights and their enforcement. The analysis falls in three parts. The first part explains the contested origins of the right to property in the ECHR and the paradoxical conferral of property rights to 'legal persons' in Article 1 Protocol 1 to the ECHR. The second part sets out the constitutional constraints on the exercise of the Court's jurisdiction, notably the doctrine of the margin of appreciation and the principle of subsidiarity and discusses their impact on the Court's

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of Human Rights and the Politics of International Law', in Wayane Sandholtz and Cristopher A Whytock (eds) *Politics of International Law* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing 2016).

[18] Case of *Anheuser-Busch Inc. v Portugal* (Application no 73049/01) [GC] Judgment of 11 January 2007.

[19] J Griffiths 'Enforcement of Intellectual Property Rights and the Right to a Fair Trial', in Ch Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing 2015) 438–454.

[20] H Grosse Ruse-Kahn, *Protection of Intellectual Property in International Law* (New York: Oxford University Press 2016).

[21] L R Helfer, 'The New Innovation Frontier? Intellectual Property and the European Court of Human Rights' (2008) 49 Harvard International Law Journal 1–52.

adjudication of IP rights. The third part reviews the Court's case law on IP rights drawing attention to the equitable nature of the Court's assessment of damages. Combined together, these considerations explain both the very low volume of IPR applications and why the Court is likely to remain an unlikely forum for the enforcement of IPRs in the future.

2. THE AMBIGUOUS NATURE OF PROPERTY RIGHTS IN THE ECHR

Intellectual property rights are undoubtedly positive, legally protected rights which confer on the holder exclusivity over the use of the subject matter of the rights, for example creations, inventions and so on. Whether intellectual property rights are also fundamental human rights is strongly contested by human rights scholars, human rights advocates and United Nations (UN) agencies.[22] Yet, in the European human rights system established by the ECHR, the distinction between IP rights and fundamental human rights has arguably been blurred by the addition of the First Protocol. Article 1 Protocol 1 (P1-1) expressly ascribes rights over 'enjoyment of possessions' to 'legal persons'. This is puzzling because fundamental human rights aim to secure the 'dignity and worth of the human person,'[23] concepts which have no application to 'legal entities' and corporations. Yet, without doubt, the drafting history of Article 1 Protocol 1 testifies that the drafters intended the Convention to protect the property rights of companies as well as individuals. This was acknowledged in the jurisprudence of the Court from the very beginning. It is worth recalling why.

The *Travaux Préparatoires*[24] show that the initial starting point for the First Protocol was Article 17 of the Universal Declaration of Human Rights (UDHR) which proclaims that:

1. Everyone has the right to own property alone as well as *in association with others.*
2. No one shall be deprived of his property. (My emphasis.)

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[22] A Plomer, *Patents, Human Rights and Access to Science* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing 2015).

[23] Preamble UDHR.

[24] Travaux Préparatoires to the Convention (TP CDH) (76) 36, at p. 1, footnote 1.

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The difficulties the European drafters run into are obvious. Which type of entity precisely is included in the expression 'in association with others'? Is it workers' cooperatives, state owned organizations, or does it include privately owned entities such as corporations? Should human rights extend to corporations? A comparison of the discussions of the drafters of both texts reveals a shared equivocation of purpose which resulted in the ambiguous phrasing in the UDHR which later hardened in the text of the ECHR. Johannes Morsink, the distinguished scholar of the drafting history of the UDHR, explains that the stipulation that property may be held 'alone or in association with others' was a pragmatic compromise intended to be neutral as between competing capitalist and socialist/communist visions of modes of organizing domestic economies.[25] Originally, the UDHR draft confined the right to property to the minimum personal property needed by individuals to live a life with dignity. Later, this was thought to be too narrow and the right to own property was extended to the right to a share in profit-making, whether private or collective.[26] The question then shifted to what limits may be legitimately set by the state on private or collective ownership of property.[27] The final wording of Article 17 in the UDHR text thus sought to be neutral as between different economic and political visions of property rights, papering over the fundamental differences on what constitutes a *human* right to property. Related questions regarding the conditions under which States could legitimately expropriate individuals from their possessions and whether and how individuals could enforce protection of their property rights were also elided in the final text.[28]

These questions could not be avoided in the European Convention system because it was envisaged at the onset that a supranational court would be created to ensure State compliance with the Convention. Mirroring the earlier debates on right to property in the UDHR, some European delegates originally questioned whether the right to property was a human right or an economic right. UK delegates wanted the right to be either excluded altogether or included only with the addition of social rights (e.g. right to work or a decent standard of living). Nally, from the UK said, 'There is an old Socialist phrase which my father

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[25] J Morsink, *The Universal Declaration of Human Rights: Origins, Drafting, and Intent* (Philadelphia: University of Pennsylvania Press 1999).

[26] Ibid. p. 145.

[27] Ibid.

[28] For a history of the genesis of the First Protocol see W A Schabas, *The Omission of the Right to Property in the International Covenants* (Leiden: Hague Yearbook of International Law 1991) 135–170.

taught me: "He who owns the means by which I live owns my life."'[29] The worry was of the risk that 'the right of the average man to have little possessions of his own' may turn out to be used by courts to defend and enforce 'a property structure in which a tiny handful of people own the means by which millions of others live'.[30] The French delegate pressed for the inclusion of a right to property but wanted it to be restricted to personal property or the minimum needed for full development of human personality.[31] Sir David Maxwell-Fife (UK), Chair of the Legal Affairs Committee, thought it was important to find a way of reconciling the views of delegates who had in mind the iniquity of expropriation laws in Germany,[32] as well as other delegates concerned about the risks relating to the enforcement of abstract, general rights by a supranational court in determining whether the limits set by national laws may be in violation of the Convention.[33] The result was an incongruous compromise in the first text approved unanimously by the Legal Affairs Committee, stating that: 'All individuals and corporate bodies are entitled to respect for their property.'[34]

The second paragraph prohibited arbitrary confiscation without prejudice to the right of States to enact laws to limit property for the public good.[35] The term 'corporate bodies' was subsequently replaced by 'legal persons' in order to accommodate not only corporations but different types of legally recognized organizations in contrast to 'natural persons'.[36] The concession hardly diminishes the incongruity of a human rights text opening the door to corporations and private legal entities to file claims for violations of their 'human' rights.

Still, continuing difficulties in securing agreement on the final wording of the text resulted in delays which led to the adoption of the ECHR in 1950 without the inclusion of a right to property. Finally, two years later,

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[29] Op. cit. 24 at p. 16.

[30] Op. cit. 24 at p. 16. See also delegate from Sweden stating that right of ownership is the only economic right included in the ECHR and for ordinary people right to work or standard of living is more important (p. 17).

[31] Op. cit. 24 p. 14.

[32] Op. cit. 24 p. 66.

[33] Op. cit. 24 p. 33 and p. 42 (Belgium).

[34] Op. cit. 24 p. 64.

[35] Op. cit. 24 p. 65.

[36] Op. cit. 24 p. 76.

the First Protocol was adopted separately and incorporated in the ECHR.[37] Article 1 Protocol 1 (P1-1) reads as follows:

> (1) Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law.
> (2) The preceding provisions shall not, however, in any way impair the right of a state to enforce such laws as it deems necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions or penalties.

The final wording aimed at bridging the political divide between liberal and socialist state visions of property rights not proclaiming a 'right to property' but a right to the 'enjoyment of ... possessions'. The semantic twist has subsequently proved to be hollow as P1-1 is standardly referred to as the 'right to property' in the jurisprudence of the Court. Bearing in mind that Article 34 ECHR expressly excludes non-governmental organizations from the range of parties which may bring an admissible claim to the Court, there is no doubt that corporations have privileged standing and a solid legal basis to pursue claims for alleged violations of their property rights, including IP rights, in the European Court of Human Rights.

Yet, the compromise wording of the First Protocol arguably thrust the Court into the politically sensitive and highly charged role of adjudicating disputes ostensibly concerning the 'human' rights of 'legal persons' or corporations whose real *interests* (as distinct from their *human rights*)[38] are economic or commercial, within the framework of the ECHR, a legal system whose *raison d'être* was never intended to facilitate the resolution of commercial disputes. It was left to the Court to adjudicate IPR claims in the shadow of the disparate rationales for the inclusion of the First Protocol in the ECHR.

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[37] Protocol to the Convention for the Protection of Human Rights and Fundamental Freedoms, ETS No.009, Paris, 20/03/1952 – Treaty open for signature by the member States signatories to Treaty ETS 5. The Protocol entered into force on 18 May1954 following ratification by ten States.

[38] V Held, 'Property Rights and Interests' (1979) 36.3 Social Research 550–579.

3. THE SCOPE OF THE ECTHR'S SUPRANATIONAL JURISDICTION ON PROPERTY RIGHTS: MARGIN OF APPRECIATION AND SUBSIDIARITY

The incongruent rationale for the late inclusion of a right to the 'enjoyment of possessions' in the ECHR and the uncertainty regarding the precise scope of this right and its application to intellectual property rights likely contributed to the very low number of IP cases heard by the Court. In addition, the difficulties confronting applicants lie not only in the ambiguities embedded in the Treaty texts but in the Court's general approach to the interpretation of scope of protection and enforcement of the rights in the Convention. The Court has historically relied on the margin of appreciation doctrine and, more recently, the principle of subsidiarity to guide its interpretation of the texts. This section analyses the role of these twin tools in shaping the jurisprudence of the Court and guiding its interpretation of the nature and scope of the right to 'the enjoyment of possessions' protected by the Convention.

The margin of appreciation doctrine was deployed in the very first case involving an alleged violation of IP rights under P1-1. The case did not reach the Court as it was declared inadmissible by the Commission for Human Rights (which performed a filtering function until its abolition in 1998 when the Court was enlarged).[39] The complaint was filed by the pharmaceutical corporation Smith Kline against the grant of a compulsory patent which covered one of its patented products in the Netherlands.[40] Smith Kline alleged that the compulsory licence was a violation of its rights under P1-1. The Commission conceded that patents were 'possessions' falling within the scope of P1-1 because under domestic law patents were personal property which is transferable and assignable. The compulsory licence also constituted an interference with the applicant's right to exclusive exploitation which amounted to control of the applicant's rights under the second paragraph of P1-1. In line with the general approach of the Court, the Commission then considered whether the restrictions were in the general interest and pursued a legitimate aim in a proportionate manner.[41] Concurring with the State defendant, the

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[39] The Commission for Human Rights should not be confused with the European Union's Commission.

[40] Smith Kline (Application no 12633/87) 1990.

[41] Citing Eur. Court H.R., Tre Traktörer AB judgment of 7 July 1989, Series A no 159, 22–24, paras 56–63.

Commission held that the grant of the compulsory licence was proportionate and necessary to address national public health needs. The Commission went also as far as stating that:

> ... the Patent Office is not required to investigate in each particular case whether the grant of the compulsory licence is necessary in the general interest, the Commission finds that the framework imposed by the legislation is intended to prevent abuse of monopoly situations and encourage development and that this method of pursuing that aim falls within the margin of appreciation accorded to the Contracting State.

The approach taken by the now defunct Commission for Human Rights mirrors the judicial restraint of the Court in the exercise of its jurisdiction. The jurisdiction of the Court extends to all matters concerning the interpretation of the European Convention on Human Rights (the Convention) and its Protocols (Article 32 ECHR).[42] The Court has jurisdiction to determine whether a Contracting State is in breach of its obligation to secure the rights guaranteed by the Convention (Article 1). Individual applicants may file an application claiming violation of the Convention but the Court will only hear an application after all domestic remedies have been exhausted (Article 35(1)). In addition to, and separately from the substantive rights protected by the Convention, Article 13 imposes an obligation on Contracting States to provide an effective remedy for violations.[43] Together, Article 1, Article 13 and Article 35 have been claimed to constitute the three central elements of the Courts' application of the margin of appreciation and more recently subsidiarity in the determination of a State's obligations.[44]

The margin of appreciation doctrine was introduced by the Court in its early case law and adopted as a legal tool to achieve a level of scrutiny of domestic laws which allows Contracting States scope for manoeuvre in the implementation of the Convention in recognition that the obligation to enforce the rights contained in the Convention, in the first instance,

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[42] Article 32(1) ECHR states that: 'The jurisdiction of the Court shall extend to all matters concerning the interpretation and application of the Convention and the protocols thereto which are referred to it as provided in Articles 33, 34, 46 and 47.'

[43] 'Everyone whose rights and freedoms as set forth in this Convention are violated shall have an effective remedy before a national authority notwithstanding that the violation has been committed by persons acting in an official capacity.'

[44] A Mowbray, 'Subsidiarity and the European Convention on Human Rights' (2015) 15.2 Human Rights Law Review, 313–341.

rests with the Contracting States.[45] The case of *James & Others v UK*[46] is a good illustration of how the margin of appreciation was applied by the Court in its early case law to scrutinize domestic laws. *James & Others v UK* concerned an application lodged by members of the British aristocracy and bankers who owned over 2,000 properties in central London. The properties had been let on long leases to tenants who had acquired the right to buy the freehold of the property after the passing of the Leasehold Reform Act 1967. The legislation had been introduced by the Labour Government to mitigate the social hardship suffered by tenants in the aftermath of World War II.[47] The applicants claimed that the legislation violated their right to property under Article 1 of Protocol No. 1 (P1-1) and was discriminatory when taken in conjunction with Article 14 and Article 13 of the Convention. They submitted, inter alia, that the legislation compelled them to sell the properties, against their will, to private individuals for the benefit of those individuals and deprived the applicants of their property at a price below market value. The applicants' submission that the legislation was incompatible with the Convention was unanimously dismissed by the Court.

The Court started by acknowledging that Article 1 (P1-1) 'in substance guarantees the right to property'.[48] It then followed what has since been

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[45] *Handyside v UK* (Application no 5493/72), A/24, [1976] ECHR 5. See H C Yurow, *The Margin of Appreciation Doctrine in the Dynamics of the European Human Rights Jurisprudence* (Alphen aan den Rijn: Kluwer 1996).

[46] ECHR 2, (1986) 8 EHRR 123.

[47] The Government stated that the purpose of the legislation was twofold: 'First, most people buy their house on mortgage and for them the leasehold system works particularly harshly. A purchaser on mortgage may pay virtually the freehold price for a lease with a good many years to run but as he reaches the end of his mortgage term he will feel a sharpening sense of injustice. He will realise that after he has discharged the mortgage he will have an interest far less valuable than it was when he bought it, and difficult to sell because a subsequent purchaser may not be able to get a mortgage. This is the reality now confronting many owner occupiers who purchased their houses on setting up home immediately after the war. Second, a great many leasehold estates were built in the second half of the nineteenth century when landowners used their monopoly power to prevent development taking place on other than leasehold terms. This occurred particularly in South Wales and in some English areas. These leases are beginning to fall in and the leaseholders are now experiencing the full harshness of the leasehold system', para 18.

[48] Para. 37, citing the Marckx judgment of 13 June 1979, Series A no 31, pp. 27–28, para 63.

known as the 'three distinct rules' of interpretation of P1-1 laid down in Sporrong and Lönnroth.[49]

The first rule, set out in the first sentence of the first paragraph, is of a general nature and enunciates the principle of the peaceful enjoyment of property; the second rule, contained in the second sentence of the first paragraph, covers deprivation of possessions and subjects it to certain conditions; the third rule, stated in the second paragraph, recognizes that the Contracting States are entitled, amongst other things, to control the use of property in accordance with the general interest.[50]

The UK legislation was held to fall within the terms of the third sentence which allows States to introduce restrictions and controls on property rights 'in accordance with the general interest'. The applicants had contended that the goals pursued by the legislation were not legitimate because the beneficiaries were not the public at large but individual tenants. The Court disagreed: '... the notion of "public interest" is necessarily extensive ... the decision to enact laws expropriating property will commonly involve consideration of political, economic and social issues on which opinions within a democratic society may reasonably differ widely'.[51]

The Court stated that, in principle, national authorities are better placed than the international judge to appreciate what is 'in the public interest because of their direct knowledge of their society'.[52] Consequently, the Court stated that: '... the margin of appreciation available to the legislature in implementing social and economic policies should be a wide one, will respect the legislature's judgment as to what is "in the public interest" unless that judgment be manifestly without reasonable foundation'.[53]

Furthermore, the Court stated that the 'general' or public interest in democratic societies included the elimination of social injustices. Housing was an important social need.

The margin of appreciation was sufficiently broad to cover legislation aimed at achieving greater social justice in housing, even when the legislation interfered with contractual relations between private parties and conferred no benefit on the public at large.[54]

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[49] Series A no 52, p. 24, para 61.
[50] *James & Others v UK* at para 37.
[51] Ibid., para 46.
[52] Ibid.
[53] Ibid.
[54] Ibid. para 47.

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The margin of appreciation doctrine thus results in a low level of judicial scrutiny of domestic laws, notably in contexts where the laws being scrutinized concern policy decisions of an essentially political nature regarding the allocation and distribution of resources and entitlements to achieve social goals. There are three salient aspects to the deference and self-restraint adopted by the Court in relation to property rights by contrast to what the Court itself describes as other, 'core' rights such as the prohibition on torture (Article 3) or sex discrimination (Article 14).[55]

First, in the property context, the court's approach involves deference to domestic laws on the *substance of property rights* or the objects of protection which may qualify as 'possessions' under the Convention. An applicant cannot file a complaint for violation of his/her right to property under P1-1 unless the domestic legal regime recognizes the existence of rights over tangible or intangible property, be it land, leases, shares, patents, copyright or trademarks (including an application to register a trademark). Normatively, this deference can result in manifest injustices which have been extensively discussed by scholars.[56] Secondly, the low-level scrutiny involves deference to domestic laws on the limits which States may impose on an individual's exercise of their property rights in order to further a public good. As will be seen below, the doctrine has been consistently applied by the Court in the few cases involving intellectual property rights claims. Thirdly, the deference extends to domestic laws on the administrative (or legal) system adopted to secure the right as well as the remedies available.

To these three-pronged aspects of the self-limiting approach of the court must now be added the principle of 'subsidiarity' which has a distinct but overlapping limiting function with the margin of appreciation.[57] By contrast to the 'margin of appreciation', a doctrine which had

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[55] Contrast the court's approach to Article 3 or Article 8 where the margin of appreciation may be very narrow or non-existent.

[56] See L George, 'Two Concepts of the Margin of Appreciation' (2006) 26.4 Oxford Journal of Legal Studies 705–732; and J Gerards, 'Pluralism, Deference and the Margin of Appreciation Doctrine' (2011) 17.1 European Law Journal 80–120.

[57] Antonio Cassesse 'Ruling Indirectly: Judicial Subsidiarity in the ECtHR', Paper for the Seminar on 'Subsidiarity: a double sided coin? 1. The role of the Convention mechanism; 2. The role of the national authorities', held to coincide with the ceremony marking the official opening of the judicial year of the European Court of Human Rights, 30 January 2015, Strasbourg; and Sergio Fabbrini 'Intergovernmentalism in the European Union. A Comparative Federalism Perspective' (2017) 24.4 Journal of European Public Policy 580–597.

been developed by the court itself, the principle of subsidiarity was expressly introduced in the ECHR by Protocol 15 in 2013. Article 1 of Protocol 15 states that:

> At the end of the preamble to the Convention, a new recital shall be added, which shall read as follows:
>
> > Affirming that the High Contracting Parties, in accordance with the principle of subsidiarity, have the primary responsibility to secure the rights and freedoms defined in this Convention and the Protocols thereto, and that in doing so they enjoy a margin of appreciation, subject to the supervisory jurisdiction of the European Court of Human Rights established by this Convention.

Though similar, margin of appreciation and subsidiarity are historically and functionally distinct. The principle of subsidiarity has its institutional origins in the European Union system where it has been described as 'the word that saved the Maastricht Treaty'.[58] 'Subsidiarity' has been analysed to reflect up to twenty different meanings.[59] Historically, subsidiarity has been '... mainly addressed to the legislature ...'[60] Typically, '... subsidiarity has been used to distribute functions along a vertical line, between the centre and the periphery ... the main purpose of subsidiarity is to allocate functions so that centralisation can be avoided, and to ensure an efficient allocation of power'.[61] By contrast the margin of appreciation is mainly concerned with the exercise of jurisdiction by the ECHR.[62]

Subsidiarity had only occasionally been invoked by the Court before it was expressly imported into the ECHR in the wake of the Brighton conference which had been organized by the United Kingdom with a view to curbing the perceived overreach of the ECtHR's scrutiny of domestic laws.[63] According to Fabbrini, the adoption of Protocol No 15

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[58] D Z Cass, 'The Word that Saves Maastricht? The Principle of Subsidiarity and the Division of Powers within the European Community' (1992) 29.1, Common Market Law Review 1107 ff. More generally see: P Craig, 'Subsidiarity, a Political and Legal Analysis' (2012) 50 Journal of Common Market Studies 72.

[59] Cassesse, op. cit. 57.

[60] Frederico Fabbrini, 'The Margin of Appreciation and the Principle of Subsidiarity. A Comparison' (2015) iCourts Working Paper Series No. 15, 9.

[61] Cassesse, op. cit. 57, 17.

[62] Fabbrini, op. cit. 60, 9.

[63] Cassesse, op. cit. 57, 5, citing Eyal Benvenisti, *The Law of Global Governance* (The Hague: The Hague Academy of International Law, 2014) 238: 'It is well known that the new recital of the Preamble to the Convention was a

and amendments to the ECHR '... are inspired by the desire to entrench a negative, court-focused criterion which aims at restricting the authority and legitimacy of the European Human Rights Court – consistent with the political pressures behind the Brighton Conference and the ensuing amendments to the ECHR'.[64] Yet, Fabbrini warns that subsidiarity is a Janus-faced concept, which embodies a negative dimension – geared toward protecting the autonomy of the member States from supranational interference – but also a positive one – leaving open the door for supranational action when needed.[65] Despite claims by a judge from the Court that the current era is the 'Age of Subsidiarity',[66] a recent empirical study found that there has been no noticeable increase in the number of references to subsidiarity in the claims raised by States.[67]

On the other hand, there have been some subtle changes in the Court's references to subsidiarity in the run-up to the adoption of Protocol 15. In the case of *Kudla v Poland*,[68] the Grand Chamber considered whether the applicants could separately invoke a violation of Article 13 in circumstances where there was no domestic mechanism to deal with their complaints that excessive delays in the national courts determinations of their 'civil rights' or 'criminal charges' violated their Article 6(1) rights. The Grand Chamber relied on the subsidiary role of the Court vis-à-vis national courts to find a separate violation of Article 13, stating that

> By virtue of Article 1 (which provides: 'The High Contracting Parties shall secure to everyone within their jurisdiction the rights and freedoms defined in Section I of this Convention'), the primary responsibility for implementing and enforcing the guaranteed rights and freedoms is laid on the national authorities. The machinery of complaint to the Court is thus subsidiary to

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compromise, which sought to take into account the British reaction to the ECtHR's judgment in the *Hirst* case.'

64 Fabbrini, op. cit. 60, 1.

65 Fabbrini, op. cit. 60, 13.

66 Judge Spano, cited in Mowbray, op. cit. 44.

67 Mowbray, op. cit. 44, 338.

68 *Kudla v Poland* (Application No. 30210/96) ECHR 2000-XI, [2000] ECHR 512. Mr Kudla complained that when in detention he had not been given adequate psychiatric treatment, contrary to Article 3 of the Convention. He further submitted that his right to trial within a reasonable time or to release pending trial, guaranteed by Article 5 § 3, had not been respected and that the criminal proceedings against him had lasted an unreasonably long time, in breach of Article 6 § 1. Lastly, he complained that he had had no effective domestic remedy available to challenge the length of the proceedings against him, in violation of Article 13.

national systems safeguarding human rights. This subsidiary character is articulated in Articles 13 and 35 § 1 of the Convention.[69]

The background to the Court's invocation of subsidiarity was the significant rise in its case load which had resulted from the abolition of the Commission and its filtering role on the admissibility of complaints. The Court noted the significant rise in the number of cases where the main alleged violation was an unreasonable delay in trial proceedings under Article 6(1). The growing frequency of excessive delays in the administration of justice, the Court said, constituted a 'grave danger' to the rule of law.[70] National courts were under an obligation to protect human rights first and foremost within their own domestic systems. This obligation, it said, is reflected in Article 13 and Article 35, which are based on the assumption that there is an effective remedy available in the domestic system and that States should be given the opportunity to prevent or put right allegations against them.[71] Consequently, the 'subsidiary' role of the Court would only be triggered in the event of a failure on the part of national courts to exercise their supervisory functions.

4. THE COURT'S APPROACH TO ENFORCEMENT

As argued by Fabbrini, the application of the principle of subsidiarity has the potential to give rise to unexpected outcomes. The implications are of special interest in relation to claims for an effective remedy under Article 13 relating to violation of the right to property under P1-1. According to Mowbray, the Court's invocation of subsidiarity in *P* is particularly significant because the judgment represents a reversal of the previous practice of the Court not to separately consider Article 13 in cases where a separate finding of Article 6(1) is found.[72] In many previous cases alleging a violation of a right to property under P1-1, complainants had typically alleged a separate violation of Article 6(1)[73] as well as a

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[69] Ibid. para 152.

[70] Ibid. para 148.

[71] Ibid. Para 151.

[72] Mowbray, op. cit. 44, 324. It was justified by the Court as a the most effective use of the Convention machinery which was at risk of being overwhelmed with claims following the end of the filtering system operated by the Commission.

[73] Article 6, ECHR. '1. In the determination of his civil rights and obligations or of any criminal charge against him, everyone is entitled to a fair and public hearing within a reasonable time by an independent and impartial

violation of Article 13. In *Pulak*, the court explained that its reason for departing from the previous practice of absorbing Article 13 into Article 6(1) in cases concerning a 'civil right', such as the right to property, was that the protections afforded by Article 6(1) 'imply the full panoply of a judicial procedure' and are stricter than those of Article 13.[74]

The Court further adverted to the 'inherent' and context dependent limitations of Article 13.[75] Where the complaint does not concern excessive delays or defective hearings in violation of Article 6(1), applicants cannot rely on Article 13 alone to challenge compliance of a Contracting State's laws with the Convention.[76] In *James & Others v UK*,[77] the applicants' claim for an 'effective remedy' under Article 13 failed in the absence of a finding that the compulsory sale of the leases below market value constituted a violation of their right to property under P1-1. On the other hand, the Court stressed that the place of Article 13 in the scheme of human rights protection set up by the Convention argued in favour of implied restrictions of Article 13 being kept to a minimum.[78]

Analytically, realization of the right to an effective remedy may be seen as falling within the broader compulsory jurisdiction of the court on the *enforcement* of violations of the Convention. Individual applicants are entitled, as of right, to enforcement of their rights by national courts and ultimately by the ECtHR, not only in the form of a court finding that they have suffered a violation of their rights, but also in the form of a court order that they should receive adequate redress for any violation from the Contracting State for violation of their Convention rights. The Court has stated in numerous cases that the requirements under Article 13 are 'broader' than procedural requirements, inter alia, under Articles 2, 3, 5,

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tribunal established by law. Judgment shall be pronounced publicly but the press and public may be excluded from all or part of the trial in the interests of morals, public order or national security in a democratic society, where the interests of juveniles or the protection of the private life of the parties so require, or to the extent strictly necessary in the opinion of the court in special circumstances where publicity would prejudice the interests of justice.'

[74] *Kudla v Poland*, op. cit. para 146.

[75] *Klass and Others v Germany* judgment of 6 September 1978, Series A no 28, 31, § 69.

[76] *Kudla v Poland* at 151, citing *James & Others v the United Kingdom* judgment of 21 February 1986, Series A no 98, 47, § 85. Merits, Application no 8793/79 (A/98), [1986] ECHR 2.

[77] *James & Others v UK* Application No 8793/79 (A/98), [1986] ECHR 2.

[78] *Kudla v Poland* at para 152.

8 as well as Article 1 Protocol 1 of the Convention.[79] The objective of Article 13 is 'to provide a means whereby individuals can obtain appropriate relief at national level for violations of their Convention rights before having to set in motion the international machinery of complaint before the Court'.[80] Enforcement of the right to an effective remedy in Article 13 thus requires States to provide redress not only for personal harm[81] but also property damage[82] suffered by the applicant. An applicant who can establish a prima facie, 'arguable' breach of his or her Convention rights may also raise a separate claim for breach of Article 13. For instance, in *Nuri Kurt v Turkey*,[83] the Court found that the applicants had an arguable claim under Article 8 and Article 1 Protocol 1. They had been evicted from their homes and their property deliberately destroyed by Security forces in the south-east Turkish conflict of the 1990s. On the basis of an 'arguable claim', which was not 'manifestly ill founded' under these Articles, the Court found a separate violation of Article 13 based on the ineffectiveness of the domestic enquiries into the allegations. On the other hand, the protection afforded by Article 13 'does not go so far as to require any particular form of remedy'.[84] In *Oneryildiz v Turkey* the applicant had obtained compensation in the national courts for the destruction of household goods but the Court found that the decision on compensation took too long and the award had never been paid. Consequently, the Court found that there had been a violation of Article 13 as the applicant had been denied an effective remedy for the alleged breach of his right under Article 1 of Protocol No 1.[85] Making an assessment on an equitable basis, the Court decided to award Mr Maşallah Öneryıldız EUR 45,250 for pecuniary and non-pecuniary damage, and his three surviving adult children, Hüsamettin, Aydın and Halef Öneryıldız, EUR 33,750 each and EUR 3993.84 for non-pecuniary damage, making an aggregate sum of EUR 150,493.84.

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[79] D Harris et al. *Harris, O'Boyle and Warbrick: Law of the European Convention on Human Rights* (New York: Oxford University Press 2014) 780–781.

[80] *Oneryildiz v Turkey* (Application no 48939/99) ECHR 2004-XII, para 145.

[81] *Z & others v UK*, 2001-V: 34 EHRR 97.

[82] *Oneryildiz v. Turkey.*

[83] *Nuri Kurt v Turkey* (Application no 37038/97) (1995) – as discussed by Harris et al. op. cit. 79, 781.

[84] Ibid. para 115.

[85] Ibid. para 156.

The deference given by the Court to national law carries through to the type of remedy required to comply with Article 13. On the one hand, the Court has stated that the nature of the right at stake has implications for the type of remedy that a State is required to provide under Article 13. Compensation for pecuniary and non-pecuniary damage and other civil or criminal remedies are in principle possible as part of the range of redress available for violation of P1-1.[86] On the other hand, the Court assesses the damages on an equitable basis so the remedies awarded are not calculated to achieve full compensation. For instance, in *Paul and Audrey Edwards v UK*[87] the Court awarded £20,000 to the applicant parents of a detainee for the anguish and distress they had suffered following the death of their detained son in circumstances where the UK was found in breach of its Article 2 obligation to protect the life of the detainee and to provide an effective remedy under Article 13. In addition, the Court awarded £20,000 to cover the applicants' legal costs, a third less than the costs of £33,531 claimed by the applicants. The Court found that the claimed costs were on the high side and arrived at the sum of £20,000 on an equitable basis.

Finally, it should be noted that neither Article 13 nor any other provision of the Convention guarantees an applicant a right to secure the prosecution and conviction of a third party or a right to 'private revenge'.[88] The Court has reiterated on several occasion that a right to have third parties prosecuted or sentenced for a criminal offence cannot be asserted independently, although under certain circumstances an effective remedy might include recourse to the criminal law. Thus the supervisory function of the Court in respect of remedies and enforcement retains a substantive dimension. But the deference granted to Contracting States, particularly on matters where there is no consensus, implies that the Court is unlikely to impose on Contracting States a uniform view of the kind of remedy required for violations of P1-1, choice of criminal sanctions over civil remedies or awards of damages in lieu of injunctions.[89] To do so, except in the clearest possible cases, would run counter to the whole Convention legal machinery starting from the legal self-restraint tools developed by the Court to allow Contracting States

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[86] Ibid. para 147; citing *Paul and Audrey Edwards* 46477/99 [2002] ECHR 303; and *Z and Others v the United Kingdom*; *T P and K M v the United Kingdom* [GC], no 28945/95, § 107, ECHR 2001-V.

[87] *Paul and Audrey Edwards v UK* 46477/99 [2002] ECHR 303.

[88] Ibid. citing *Perez v France* [GC], no. 47287/99, § 70, ECHR 2004-I.

[89] So the ECtHR would likely come to same conclusion as the CJEU in *Promusicae*, C-275/06, EU:C:2008:54 by a different route.

flexibility to define the contours of these rights and choice of remedies to the political subtext which, by contrast to the European Union, is not driven by an integration ideal.

5. THE COURT'S ENFORCEMENT OF IP RIGHTS

Notwithstanding these reservations, there is no doubt that the Court's review of domestic remedies and enforcement mechanisms for alleged violations of property rights can be triggered either through direct violation of P1-1 or by a separate violation of Article 6 or Article 13. In principle, complaints could succeed under either of these Articles. In reality, the twin application of the margin of appreciation and subsidiarity point to the likelihood that alleged violations of property rights based on separate violations of Article 6 or Article 13 stand a greater chance of success than direct violations P1-1. This is because Article 6 and Article 13 are primarily concerned with procedural questions (e.g. length of proceedings, independence of tribunals, arbitrary process etc.) rather than substantive questions as to whether the underpinning property rights or their curtailment by State authorities fall within the scope of P1-1. The scant jurisprudence of the Court in cases alleging violations of the intellectual property rights underscores these points. In *Anheuser-Busch Inc.* the Grand Chamber noted that the Convention institutions have 'only very rarely' been called upon to rule on questions of intellectual property.[90] This is confirmed by a search on the ECHR HUDOC[91] under P1-1 and 'intellectual property' which brings up thirteen *Decisions*[92] altogether compared to 9,536 for all claims of violations of property rights under P1-1. The majority of the decisions concerning intellectual property claims (ten) declared the case inadmissible. Two of them declared the case *partly admissible* and the case was struck out in the last one. Most strikingly, there are only two reported *Judgments* of the Court on the merits of applications concerning intellectual property rights, one in the Grand Chamber and one in the Chamber.[93] Of these two judgments, only one resulted in a finding of violation of P1-1 and an award of damages.[94] By contrast, the total number of violations for P1-1 is 3,195.

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[90] *Anheuser-Busch Inc. v Portugal* [GC] - 73049/01 judgment at para 67.

[91] Conducted on 15 November 2016.

[92] A decision concerns only admissibility and not the merits of the case.

[93] Case of *Anheuser-Busch Inc v Portugal* (Application no 73049/01) [GC] and Case of *Balan v Moldova* (Application no 19247/03).

[94] *Balan v Moldova.*

The numbers speak for themselves and point to the far distant likelihood of the ECtHR acting as forum of choice for the protection and enforcement of IP rights. Analysis of the judgments reveals the difficulties faced by the applicants.

The undisputed starting point acknowledged in the reified case law is that: '... intellectual property as such incontestably enjoys the protection of Article 1 of Protocol No. 1'.[95] Consequently, a patent, copyright or trademark recognized as such under domestic laws will fall within the meaning of 'possessions' protected by Article 1 Protocol 1 (*Smith Kline*). The disputes which have reached the Chamber and Grand Chamber concern the question of whether *applications* originally accepted by the relevant authorities but subsequently declared invalid or ineffective under domestic laws amount to *possessions* within the meaning of Article 1 Protocol 1.

In *Anheuser-Busch Inc. v Portugal*[96] the applicant company had sold beer in the US under the 'Budweiser' mark since at least 1876. It became embroiled in a dispute with a Czech company which had registered 'Budweiser Bier' beer as an appellation of origin in 1968 under the Lisbon Agreement of 1958 after its application to register the trademark 'Budweiser' was originally accepted by the National Institute for Industrial Property in Portugal and subsequently cancelled. Legal proceedings in the Portuguese courts culminated in a ruling of the Portuguese Supreme Court setting aside the registration on the grounds that the appellation of origin was protected by the Bilateral Agreement and dismissing the applicant's contention that the Bilateral Agreement had been applied retrospectively. The applicant company appealed to the ECtHR alleging that a trademark constituted a possession within the meaning of Article 1 Protocol 1 and that it had been unlawfully deprived of its possession by the retrospective application of the Agreement. The Chamber dismissed the application holding that there had been no violation of Article 1 Protocol 1 because the applicant's proprietary rights in the trademark at the time of application had later been extinguished. The case was remitted to the Grand Chamber which concurred that there had been no violation of Article 1 Protocol 1 but disagreed with the Chamber on the question of whether an application for a trademark constituted a possession. The Chamber had acknowledged that an application for a trademark undeniably had a definite financial value which

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[95] Chamber's judgment at para 43 citing the Commission's decision in *Smith Kline*.

[96] *Anheuser-Busch Inc. v Portugal* (Application no 73049/01) [GC] judgment 11 January 2007.

could be assigned or licensed but found that the company's interests in law at the point of registration were not sufficiently strong to amount to a legally protected 'legitimate expectation' because the rights protected by P1-1 relate to existing possessions and not to future or conditional rights.[97] The case was remitted to the Grand Chamber which concurred that there had been no violation of Article 1 Protocol 1 but disagreed with the Chamber on the question of whether an application for a trademark constituted a possession. The Grand Chamber (fifteen votes to two) held that the application for registration was an existing possession notwithstanding the fact that the rights attached to the application for registration were conditional because:

> ... when it filed its application for registration, the applicant company was entitled to expect that it would be examined under the applicable legislation if it satisfied the other relevant substantive and procedural conditions. The applicant company therefore owned a set of proprietary rights – linked to its application for the registration of a trade mark – that were recognised under Portuguese law, even though they could be revoked under certain conditions. This suffices to make Article 1 of Protocol No. 1 applicable in the instant case and to make it unnecessary for the Court to examine whether the applicant company could claim to have had a 'legitimate expectation'.[98]

On this basis the question then turned to whether the domestic court ruling on the priority of the Bilateral Agreement constituted an interference with the applicant's possession. In the Grand Chamber's view, there was no basis to found the allegation, absent evidence of arbitrariness or manifest unreasonableness on the part of the domestic court.[99] The Grand Chamber further recalled:

> ... (it is) settled case-law that, according to Article 19 of the Convention, its duty is to ensure the observance of the engagements undertaken by the Contracting Parties to the Convention. In particular, it is not its function to deal with errors of fact or law allegedly committed by a national court unless and in so far as they may have infringed rights and freedoms protected by the Convention (see *García Ruiz v Spain* [GC], no. 30544/96, § 28, ECHR 1999-I).[100]

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[97] Citing *Gratzinger and Gratzingerova v the Czech Republic* (dec.) [GC], no 39794/98, § 69, ECHR 2002-VII.

[98] Ibid. para 83.

[99] Ibid. para 85.

[100] Ibid. para 83.

A striking aspect of the Grand Chamber's reasoning is the unprecedented appeal to Article 19,[101] the Article establishing the Court, to support what could be read as an anticipation of the principle of subsidiarity which was subsequently entrenched in the Preamble to the Convention by Protocol.[102] Equally, the Grand Chamber also expressly dispelled the view that the substantive content of Article 1 Protocol 1 is reducible to domestic laws, describing the meaning of the provisions as 'autonomous' in a language reminiscent of the Luxembourg Court.[103] The Grand Chamber's reasoning could be read as echoing the analysis of subsidiarity by a former judge of the Court, drawing attention to the *caveat* that subsidiarity does not entail that

> ... where supranational authorities have a subsidiary role, sovereign States have a free hand. Sovereignty is illusory for four reasons. Being subsidiary means that national authorities (mainly courts, in our case) must comply with some common, shared principles, as are those listed in the Convention and its Protocols. Being subsidiary also means being subject to a supervisory jurisdiction and court.[104]

The same approach of deferring to domestic courts absent evidence of arbitrariness or manifest unreasonableness was followed by the Court two years later in a copyright case: *Balan v Moldova*.[105] The applicant was a photographer who had published a photograph of Soroca Castle in an album and received a fee for the photograph. The Government of

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[101] Article 19 ECHR: 'Establishment of the Court to ensure the observance of the engagements undertaken by the High Contracting Parties in the Convention and the Protocols thereto, there shall be set up a European Court of Human Rights, hereinafter referred to as "the Court". It shall function on a permanent basis.'

[102] The judgment was delivered in 2007 some years before the conference held in Brighton on 19–20 April 2012, containing a paragraph on the 'interaction between the Court and national authorities' and the adoption of Protocol 15.

[103] *Anheuser-Busch Inc. v Portugal* [GC] - 73049/01 at para 63: 'The concept of "possessions" referred to in the first part of Article 1 of Protocol No 1 has an autonomous meaning which is not limited to ownership of physical goods and is independent from the formal classification in domestic law: certain other rights and interests constituting assets can also be regarded as "property rights", and thus as "possessions" for the purposes of this provision. The issue that needs to be examined in each case is whether the circumstances of the case, considered as a whole, conferred on the applicant title to a substantive interest protected by Article 1 of Protocol No. 1.'

[104] Cassesse, op. cit. 57.

[105] *Bilan v Moldova* (Application no 19247/03).

Moldova subsequently used the photograph as background to identity cards without the applicant's permission. In domestic proceedings, the Moldova Supreme Court confirmed the applicant's intellectual property rights in respect of the photograph he had taken whilst adding that an identity card was an official document which could not be subject to copyright. The Moldova Government inexplicably refused to compensate the applicant who lodged an appeal to the ECtHR for violation of Article 1 Protocol 1. The Court reiterated the view '… that it is not its task to take the place of the national authorities who ruled on the applicant's case. It primarily falls to them to examine all the facts of the case and set their reasons out in their decisions.'[106] The Court found no reason in the instant case to question the domestic courts application of laws regulating intellectual property. The Government's failure to seek authorization for use of the photograph was an unlawful interference with the applicant's possessions in failing to strike a fair balance between the burden placed on the applicant and the public interest in the use of the photograph. The Court's equitable assessment of the award to the applicant was EUR 5,000 for pecuniary and non-pecuniary damage. This was a quarter of the applicant's claim for over EUR 20,000, underscoring that equitable awards may fall far short of the full compensation and damages that applicants can typically secure in domestic civil courts.

Neither *Anheuser Bush* nor *Balan v Moldova* considered separately the possible application of Article 6 or Article 13. A good example of the combined deployment of Article 6 and Article 13 to secure a remedy for IPRs under the umbrella of P1-1 is the case of *Kristiansen and Tyvik v Norway*.[107] The applicants had filed a patent application with the Norwegian Industrial Property Office (NIPO) in 1990. The application was ultimately refused by the NIPO in a decision that was upheld by the Board of Appeals (an internal patents appeal body) in September 2008. The applicants contended that as a result of the excessive length of the proceedings and the twenty years' limitation on patent protection under section 40 of the Patents Act, their right of access to a court had become illusory. They complained that the excessive delay constituted a violation of their right to a fair trial. Their complaint was upheld by the Court in 2013 and Norway was ordered to pay 15,000 euros damages to the claimants (under Article 41). However, the sum awarded by the Court fell well short of the EUR 3 million claimed as 'recompense' and EUR 2.7 million 'for unpaid work invested in the company'. Although the Court

[106] Ibid. para 37.
[107] *Kristiansen and Tyvik AS v Norway* (Application no 25498/08) 2013.

dismissed both claims as 'unsubstantiated and, in any event, unfounded' it is important to note that the Court's assessment of damages is equitable and that the measure of damages used by the Court is therefore not equivalent to full recovery of losses available to applicants in domestic civil courts. The Court also awarded 15,000 euros to compensate the claimants for the anguish and distress caused by the breach of Article 6 although it rejected the applicants claim for punitive damages amounting to 94,430,000 euros on the grounds that it was unreasonable and out of line with the Court's case law.[108] The Court stated that there was no need to examine the case under Article 13.

CONCLUSION

What conclusions can be drawn from these cases? First of all, the cases show that enforcement of property rights remains a central function of the Court which may be discharged either through awards of damages which are directly linked to violations of Article 1 Protocol 1 or for separate violations of Article 6 or Article 13. Secondly, the award of damages by the Court is discretionary and based in equity so applicants will not necessarily receive full compensation for their losses. Thirdly, the approach taken by the Court is guided by the twin tools of margin of appreciation and subsidiarity leaving contracting States considerable room for manoeuvre in the delineation of intellectual property rights and the remedies for violation of these rights. Fourthly, neither margin of appreciation nor subsidiarity implies that the Court has relinquished or should relinquish its supervisory role over national courts. As noted by Cassesse 'The process of globalisation of human rights has witnessed, and will continue to witness, tensions between national governments and supranational bodies. However, it cannot reduce its efforts to set global brakes on, and controls over, national legal orders.'[109] This remains particularly true in relation to intellectual property rights.

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[108] Ibid. paras 61 and 62.
[109] Op. cit. 59 at p. 12.

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3. Copyright and the human right to property: a European and international case law approach[1]

Thomas Cottier

1. INTRODUCTION

International Law Courts have brought together different walks of life and different fields of law which, in domestic European jurisdictions, often are subject to specialised courts and separate silos and tracks of jurisprudence, with the exception of constitutional courts. This is particularly true for intellectual property, being exposed to disciplines of human rights before the European Court of Human Rights, or to disciplines of competition law and trade before the European Court of Justice, and more recently, also to international trade regulation before panels and the Appellate Body of the World Trade Organization (WTO). As both European and international law are not structurally organized along the division of private and public law, of commercial, competition and intellectual property law, they offer a timely laboratory with a view to interfacing different legal traditions and legal disciplines and to fully embed intellectual property law in European and international law.[2] This is in particular true for the relationship of copyright and human rights, a relationship of increasing importance in the digital age. Upon expounding the history of the relationship and the special status of property protection as an institutional guarantee depending upon legislation in case law of European and international courts of law, the paper suggests that

[1] The paper is based upon a presentation to the XXX. Incontro di AIDA: un bilancio de diritto autore EU, 9/10 September 2016 in Milan, Italy, entitled *Copyright and Human Rights: The Impact of International and European Law.*

[2] See Th Cottier, 'Embedding Intellectual Property in International Law', in P Roffe, X Seuba (eds), *Current Alliances in Intellectual Property Lawmaking: The Emergence and Impact of Mega-Regionals* (Geneva and Strasbourg: CEIPI-ICTSD Publication Series 4 2017), 15–44.

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human rights should inform the shaping and interpretation of copyright rules. The paper develops a methodology to this effect. It is not simply a matter of broadly balancing copyright and human rights interests, but to assess the impact of all relevant human rights and of statutory exceptions in the process of law-making and the implementation of existing copyright rules. The methodology leaves behind distinctions of public and private law and may also entail the examination of content in sensitive areas of human rights protection which so far has been outside the scope of copyright analysis.

In *Media BV v. Sanowa Media Netherlands BV et al*, the Court of Justice of the European Union (formerly European Court of Justice) was called upon to assess whether hyperlinks on the internet to material already published on other sites of the internet amount to a violation of copyright.[3] At issue was whether posted links by the popular and spleeny Dutch online magazine Geen Stijl (No Style), allowing explicit photographs to be found online (licensed to the *Playboy Magazine*, but not yet printed at the time) amount to unlawful communication to the public of these works. These works were originally posted without the consent of Media BV. In applying and interpreting Article 3(1) of Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society,[4] it was contentious whether the user was liable for not knowing and assessing the lawfulness of the hyperlink used and source referred to. The Court emphasized the importance of context and the need for an individualized assessment.[5] It recalled that posting hyperlinks on a website to works freely made available on another website does not amount to a new communication to the public and thus does not require consent by the copyright holder.[6] Usage of the same technology – the internet – does not extend to a new public.[7] As to works not made freely available, lacking consent of the rightholder, the Court essentially relied upon the categorical distinction of commercial and

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[3] Case C160/15, *GS Media BV v. Sanoma Media Netherlands, Playboy Enterprises International Inc., Britt Geetruida Dekker*, EU:C:2016:644, Judgment of 8 September 2016.

[4] OJ L 167/10 22.6.2001; <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2001:167:0010:0019:EN:PDF> accessed 10 June 2017.

[5] Ibid. para 33, referring to Case C-162/10 *Phonographic Performance (Ireland)*, EU:C:2012:14, Judgment of 15 March 2012, and para 47.

[6] Ibid. para 40, referring to Case-348/13 *BestWater International* (not published).

[7] Ibid. para 42.

non-profit communication to the public at large. Building upon previous case law, it held that posting for profit essentially requires copyright clearance and induces liability by persons who knew or ought to have known that the hyperlink provides access to works which were illegally placed on the internet.[8] For non-commercial posting, the Court assumed that users in general do not intervene in full knowledge of the consequences of their conduct. The fact that such persons normally do not know whether the material was lawfully posted or not, needs to be taken into account.[9]

The Court, at the outset, stressed the importance of a

> fair balance between, on the one hand, the interests of copyright holders and related rights in protecting their intellectual property rights, safeguarded by Article 17(2) of the Charter of Fundamental Rights of the European Union (the Charter) and, on the other, the protection of the interests, and fundamental rights of users of protected objects, in particular their freedom of expression and of information, safeguarded by Article 11 of the Charter, and of the general interest.[10]

The Court also stressed the significant role of the internet for freedom of expression and information.[11] The Commission, Germany, Portugal and Slovakia had argued that defining all hyperlinking as communication to the public would have highly restrictive consequences for freedom of expression and of information.[12]

In making the distinctions between non-profit and commercial use, the Court somehow took the arguments on free speech into account in defining the pertinent factors to be taken into account. The Court noted that the internet 'is in fact of particular importance to freedom of expression and of information, safeguarded by Article 11 of the Charter, and that hyperlinks contribute to its sound operation as well as the exchange of opinions and information in that network characterised by the availability of immense amounts of information'.[13] The Court, however, did not adopt a methodology suitable to weighing and balancing freedom of information and expression in a transparent manner; rather the criteria used relied upon categories of torts, civil law and unfair competition, taking somewhat into account human rights in interpreting

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[8] Ibid. para 51.
[9] Ibid. paras 47 and 48.
[10] Ibid. para 31.
[11] Ibid. para 45.
[12] Ibid. para 44.
[13] Ibid. para 45.

statutory provisions of secondary law while balancing interests. Yet, freedom of information and expression cannot categorically depend upon a distinction of commercial and non-profit use. There is non-profit content irrelevant for such freedoms, and there is commercially traded content of great importance to freedom of speech and information.

Hyperlinking is just one of the many challenges the law faces with novel internet technology, online communication and the digital revolution, and the Post-Gutenberg age of law.[14] It does relate to functions of property and investment. But this is just one aspect among a panoply of concerns. Other aspects include internet governance, cybersecurity, protection of personality and data, competition and the risks of abuse of dominant powers – all in relation to a medium which increasingly dominates access to information and is of central importance for freedom of expression and speech.[15] The example shows that human rights increasingly play a role in defining the scope of intellectual property rights, in copyright and beyond. Yet, the relationship of intellectual property rights and freedom of information and other rights affected needs to be carefully defined, and a particular methodology to do so is warranted. The example shows that this goal has not yet been achieved. The concept of balancing interests has remained fairly vague and essentially gave way to categorical distinctions based upon commercial considerations in this particular case.

This paper takes a few steps back and discusses the evolution of the relationship of intellectual property rights (IPR) and human rights from a historical angle. It depicts the traditions of fragmentation, and how and why IPR and human rights increasingly interact due to the evolution of European and international law. Based upon such findings, it seeks to set out a proper methodology in interfacing intellectual property and human rights. There is perhaps nothing more practical than some theory on the subject.

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[14] T Garton Ash, *Free Speech: Ten Principles for a Connected World 2/3* (London: Atlantic Books 2016). The author uses the term Post-Gutenberg to depict the new age of e-books and its different layers and access to secondary sources, primary sources and further explanation. Throughout his book he mainly focuses on the challenges of the digital revolution for free speech, expression and information, and property rights, particularly addressed at 161–167 concluding that '[t]he maximisation (in quality as well as quantity) and spread of knowledge itself requires a carefully redrawn, strictly limited but then also effectively enforced protection of intellectual property'.

[15] See generally M Burri and Th Cottier (eds), *Trade Governance in the Digital Age* (Cambridge: Cambridge University Press 2012).

2. HISTORICAL BACKGROUND

Historically, monopoly rights granted for the purpose of printing precede the idea of human rights. Copyright and authors' rights essentially emerged with the invention of printing and thus are an important ingredient of the Gutenberg Age. While Roman and Judaic legal traditions protected the moral and economic interests of authors, the 1486 *Rerum Veneatum ab urbe conducta* was the first exclusive right granted to control the printing of a book on the town's history to Marcus Caccius Sabellicus.[16] In doing so, these monopolies also served the purpose of controlling content and thus limiting freedom of information and expression. They curbed a wide-open and robust debate in largely authoritarian times. Subsequent legislation on copyright primarily served the purpose to restrict excessive monopolies granted by the crown for lucrative purposes, and for limiting censorship in the age of growing parliamentary democracy.

Copyright and the quest for a balance of interest at stake emerged as components of the Gutenberg Age. Upon abolishing printing monopolies, the 1710 Statute of Anne legislation in England and the United Kingdom redefined the powers of printers (stationaries) and authors for a limited period in time (14 years and 21 years of books in publication for publishers, and a one term extension to authors if living at the end of the first period) with a view to expand public access to printed works for the purpose of education.[17] Efforts to reinforce printing monopolies by way of recourse to common law failed.[18] Copyright has remained a matter of statutory law ever since in the UK. This also transferred to the United States. Following precursors in confederate states, the United States of

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[16] See E Armstrong, *Before Copyright: The French Book-Privilege System 1498–1526* (Cambridge: Cambridge University Press 1990), 3; for a concise history see <https://en.wikipedia.org/wiki/History_of_copyright_law> accessed 21 June 2017.

[17] The full title of the Act: 'An Act for the Encouragement of Learning, by vesting the Copies of Printed Books in the Authors or purchasers of such Copies, during the Times therein mentioned', H L MacQueen, Ch Waelde, G T Laurie, *Contemporary Intellectual Property: Law and Policy* (Oxford: Oxford University Press 2007), 34; <https://en.wikipedia.org/wiki/History_of_copyright_law> accessed 21 June 2017.

[18] *Donaldson v. Becket* (1774) 2 Brown's Parl. Cases (2d ed.) 129, 1 Eng. Rep. 837; 4 Burr. 2408, 98 Eng. Rep. 257; 17 Cobbett's Parl. Hist. 953 (1813). The United Kingdom House of Lords held 'that copyright in published works was not perpetual and was instead subject to statutory limits' <https://en.wikipedia.org/wiki/Donaldson_v_Beckett> accessed 21 June 2017.

America enacted the first Copy Right Act in 1790. It was largely modelled after the Act of Anne.[19]

The French *Déclaration des Droits de l'Homme et du Citoyen* of 1789 did not mention copyright; it protects freedom of speech and printing in Article 11, subject to abuses of such freedom. Article 17 protects property rights and sets out narrow parameters for expropriation. Post-revolutionary France first limited authors' rights and eventually stabilized them under the 'Declaration of the Rights of Genius' at ten years post-mortem. The concept was based upon natural law, but largely considered to be utilitarian and a 'charitable grant by society' in the 19th century due to obligations to deposit copies with the *Bibliothèque Nationale*.[20] Enhanced authors' rights – stressing creativity rather than the exclusive copyright – emerged during the 19th century as a matter of positive law, propagated by Victor Hugo and contemporary writers depending upon securing income streams. Legislation eventually spread to neighbouring countries, often by means of bilateral agreements, and resulted in the first multilateral agreement of international economic law, the Berne Convention of 1886, following the Paris Convention of 1883 essentially on patent and trademark protection.

3. LEGAL FRAGMENTATION

Throughout the 19th and early 20th centuries, the evolution of copyright and human rights followed different and fragmented paths. A clear distinction between public law – to which fundamental and human rights pertained – and private law impeded integrated discussion in academia and the system of specialized courts in continental Europe. Intellectual property and copyright was adopted by, and assigned to, commercial law, and generally dealt together with corporate law, contracts and competition law. Human rights, on the other hand, became an almost exclusive prerogative of constitutional and international lawyers, developing their own methodology with a strong emphasis on case law, otherwise less prominent in continental European law. Private lawyers, for a long time, defended the view that human rights are limited to public law relations to the State and do not extend to horizontal relations among

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[19] P K Yu, *Intellectual Property and Information Wealth: Copyright and Related Rights* (Westport, CT: Greenwood Publishing Group 2007), 141–142; <https://en.wikipedia.org/wiki/History_of_copyright_law> accessed 21 June 2017.

[20] Ibid. pp. 141–142.

citizens and private operators. Matters relating to human rights and the protection of personality in copyright were dealt with in their own ways. The Italian initiative in the 1930s to include moral rights in the Berne Convention built on the traditions of personality protection in civil law.[21] It was at a time when human rights in corporatist and fascist Europe were at a very dead end and could not be further apart.

In domestic law, legal cultures largely remained fragmented until recent years. Commercial and private lawyers dealing with intellectual property as a matter of private rights would not connect to human rights primarily addressing government interventions and restrictions in the field of public law. Still today, and given the challenges of the digital age, copyright issues are discussed by leading authors without strongly referencing constitutional law and the valuational impact of international human rights.[22] Public lawyers, on the other hand, were not interested in IPR and copyright as a matter of private law. Specialized associations, the structure of law faculties and specialization of courts further impeded the interaction and cross-fertilization in Europe and beyond.

Bridging copyright and human rights only began after World War II, and is essentially due to international economic law and subsequently the process of European integration. In the last decade or so, scholars turned to exploring the relationship of international trade and human rights.[23] They also began to analyse the relationship of human rights and

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[21] See C Rigamonti, 'Deconstructing Moral Rights' (2006) 47 Harvard International Law Journal, 353–412; C Rigamonti, *Urheberpersönlichkeitsrechte: Globalisierung und Dogmatik einer Rechtsfigur zwischen Urheber- und Persönlichkeitsrecht* (Bern: Staempfli Publishers 2013).

[22] For example J Litman, *Digital Copyright* (Michigan Publishing Maize Books 2017) <http://www-personal.umich.edu/~jdlitman/papers/Digital%20Copyright.pdf> accessed 24 June 2017, discussing copyright exclusively from a domestic US perspective.

[23] Th Cottier, 'Trade and Human Rights: A Relationship to Discover' (2002) 5 Journal of International Economic Law, 111–132; E U Petersmann, *International Economic Law in the 21st Century: Constitutional Pluralism and Multilevel Governance of Interdependent Public Goods* (Oxford: Hart Publishing 2012); F M Abbott, Th Cottier, Ch Breining-Kaufmann (eds), *International Trade and Human Rights: Foundations and Conceptual Issues* (Ann Arbor: Michigan University Press 2006); Th Cottier, J Pauwelyn, E Bürgi Bonanomi (eds) *Human Rights and International Trade* (Oxford: Oxford University Press 2005); L Bartels, 'Trade and Human Rights', in D Bethlehem, I Van Damme, D McRae and R Neufeld (eds), *The Oxford Handbook of International Trade Law* (Oxford: Oxford University Press 2009) 571–596.

intellectual property rights.[24] The expansion of copyright to new areas of great economic importance following technological change and revolutions, in particular of electronic media (radio, television, internet) and the inclusion of computer programming to copyright protection in the Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement of the WTO, brought about new transnational challenges and, eventually, the integration of copyright and economic law, in particular European community law and international economic law. Copyright (including related or neighbouring rights protecting performers) today forms an important part of international trade law. It is a key component in global value chains together with other forms of protection, in particular patents, trade secrets and trademarks. Its disciplines are fully subject to WTO dispute settlement and legal enforcement by means of appropriate countermeasures, in particular additional surcharge tariffs and measures in case of failing compliance.

In Europe, the foundation of the European Economic Community in 1957 with its four freedoms, goods, services, persons and capital, and disciplines of competition law provided the groundwork for integrating copyright law in the process of integration.[25] National territoriality of rights was overcome by means of disciplines of competition law and free movement of goods, introducing the doctrine of regional exhaustion.[26] The early distinction between nationally defined property rights and the exercise of rights eventually gave way to partial harmonization of rights in completing the common market. Eventually, shaping IPR became a prerogative of the Union under Article 18 of the Treaty on the Functioning of the European Union (TFEU). Today, it also forms part of the commercial policy under Article 207 TFEU. The Union is entitled to address IPR and copyright in international agreements. Intellectual property no longer is a matter of shared competence required to be dealt with in mixed agreements. No longer is copyright dealt with in isolation, as

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[24] See for comprehensive efforts on the subject P L C Torremans (ed.), *Intellectual Property and Human Rights* (The Hague: Kluwer Law International 2008); Ch Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing 2015), see also *infra* n. 46 for further references.

[25] See generally A Ohly, J Pila (eds), *The Europeanization of Intellectual Property Law: Towards a European Legal Methodology* (Oxford: Oxford University Press 2013).

[26] Case 56 and 58/64 *Grundig Gonsten*, EU:C:1966:41, Judgment of 13 July 1966, 322; Case 187/80 *Merck v. Stephar and Exler*, EU:C:1981:180, Judgment of 14 July, 1981, 2063.

a highly specialized subject matter but, instead, it is dealt with in the context of an overall legal framework, both in international and European law. While linkages to human rights are still embryonic in international economic law, they are strongly developing in European law due to recognition of unwritten fundamental rights by the European Court of Justice, inclusion in Article 6 of the Treaty on European Union (TEU) and a binding Charter of Fundamental Rights of the European Union with the Lisbon Treaty of 2007.

4. THE RECOGNITION OF PROPERTY RIGHTS

This process and evolution also affected the relationship of copyright and human rights. It is essentially based upon the recognition of property as a fundamental right, entailing both tangible and intangible property. Different instruments vary. The United Nations (UN) law recognizes the protection of material and moral interests resulting from scientific, literary and artistic works as addressed by copyright; it does not stipulate a proper guarantee of property rights, except for the protection of indigenous peoples and minorities. Binding rights to property exist in a regional context. In Europe, it is recognized by Protocol (1) of the European Convention for the Protection of Human Rights, in EU law and in particular the Charter of Fundamental Rights. In Africa, it forms part of the African Charter (Banjul) Charter of Human and Peoples' Rights. In international law, additional protection is granted by means of customary rules on investment protection and expropriation, and bilateral investment protection agreements. While early texts do not explicitly include intellectual property, more recent instruments extend to intangible property rights. We briefly recall main human rights-related texts.

4.1 Treaty Texts

4.1.1 United Nations

The Universal Declaration of Human Rights of 10 December 1948 enshrined protection of property and of intellectual property rights in Article 17(1):[27]

[27] <http://www.ohchr.org/EN/UDHR/Documents/UDHR_Translations/eng.pdf> accessed 20 June 2017.

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1. Everyone has the right to own property alone as well as in association with others.
2. No one shall be arbitrarily deprived of his property.

Article 17(2) of the Declaration entails the protection of intellectual property: 'Everyone has the right to protection of moral and material interests resulting from any scientific, literary or artistic production of which he [or she] is the author.'

While the Declaration expresses natural rights and has technically remained an instrument of soft law, the 1966 Covenant on Economic, Social and Cultural Rights embodies binding protection in Article 15 as a matter of progressive realization and implementation by law of development of science and culture.[28]

> The States Parties to the present Covenant recognize the right of everyone:
>
> ...
>
> (c) To benefit from the production of the moral and material interests resulting from any scientific, literary and artistic production of which he [or she] is the author.
>
> 2. The steps to be taken by the States Parties to the present Covenant to achieve the full realization of this right shall include those necessary for the conservation, the development and diffusion of science and culture.

The 2007 Declaration on Rights of Indigenous Peoples provides the basis for future protection of traditional knowledge and traditional cultural expressions.[29] It states in Article 31:

1. Indigenous peoples have the right to maintain, control, protect and develop their traditional cultural expressions, as well as the manifestations of their sciences, technologies and cultures, including human and genetic resources, seeds, medicines, knowledge of the properties of fauna and flora, oral traditions, literatures, designs, sports and traditional games and visual and performing arts. They also have the right to maintain, control, protect and develop their intellectual property over such cultural heritage, traditional knowledge, and traditional cultural expressions.
2. In conjunction with indigenous peoples, States shall take effective measures to recognise and protect the exercise of these rights.

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[28] <http://www.ohchr.org/Documents/ProfessionalInterest/cescr.pdf> accessed 16 June 2017.

[29] GA Res 61/295, 107th Plenary Session, adopted 13 September 2007, <https://www.un.org/development/desa/indigenouspeoples/declaration-on-the-rights-of-indigenous-peoples.html> accessed 16 June 2017.

4.1.2 Council of Europe

Due to the cold war, the UN Covenant does not entail a guarantee of private property rights. These are enshrined in regional instruments, in particular Protocol (1) to the European Convention on Human Rights.[30]

> Article 1: Protection of property
>
> Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law.
>
> The preceding provisions shall not, however, in any way impair the right of a State to enforce such laws as it deems necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions or penalties.

4.1.3 European Union

The Charter of Fundamental Rights of the European Union recognizes intellectual property as a property in Article 17(2) and embeds protection in the overall protection of property rights by the legal order of the European Union:

> Article 16
>
> Freedom to conduct a business
>
> The freedom to conduct a business in accordance with Community law and national laws and practices is recognised.
>
> Article 17
>
> Right to property
>
> 1. Everyone has the right to own, use, dispose of and bequeath his or her lawfully acquired possessions. No one may be deprived of his or her possessions, except in the public interest and in the cases and under the conditions provided for by law, subject to fair compensation being paid in good time for their loss. The use of property may be regulated by law in so far as is necessary for the general interest.
>
> 2. Intellectual property shall be protected.

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[30] <http://www.echr.coe.int/Documents/Convention_ENG.pdf> accessed 16 June 2017.

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4.1.4 African Union

Article 21 of the African Charter (Banjul) Charter of Human and Peoples' Rights entails protection of property (with a strong focus on natural resources):[31] It does not specifically address intellectual property:

1. All peoples shall freely dispose of their wealth and natural resources. This right shall be exercised in the exclusive interest of the people. In no case shall a people be deprived of it.
2. In case of spoliation the dispossessed people shall have the right to the lawful recovery of its property as well as to an adequate compensation.

4.2 Recognition in Case Law

In assessing the relationship of IPR, copyright in particular, and human rights, legal guarantees of property rights are of utmost importance. Intellectual property being a form of property next to tangible, movable or immovable property, copyright benefits from guarantees of property protection in international and European human rights law.

Courts have recognized that intellectual property is protected by constitutional or international law guarantees of property rights. The former European Human Rights Commission recognized in 1990 in *Smith Kline v. the Netherlands* that a compulsory licence of a patent granted by the Netherlands in order to allow the working of a dependent patent is subject to Protocol (1) of the Convention.[32] It was held to be justified under the exceptions allowing the restriction of private property rights. In *Anheuser Busch Inc. v. Portugal*, the Court in 2007 recognized a pending trademark application as a matter pertaining to Protocol (1) and thus protection under the Convention.[33] Property protection therefore not only extends to established titles, but also to legitimate expectations in obtaining such titles. It thus can also benefit from the procedural guarantees of due process in Article 6 of the Convention.

There is no doubt that intellectual property and copyright today pertain to property protection; the same also holds true for the European Union and the Court of Justice. Following the early recognition of unwritten property rights with a view to protect the primacy of Community law,

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[31] Adopted 27 June 1981, OAU Doc. CAB/LEG/67/3 rev. 5, 21 I.L.M. 58 (1982), entered into force 21 October 1986 <http://www.achpr.org/files/instruments/achpr/banjul_charter.pdf> accessed 16 June 2017.

[32] ECommHR, *Smith Kline and French Laboratories Ldt v. the Netherlands*, No 12633/87, Commission decision of 4 October 1990.

[33] ECtHR, *Anheuser Busch Inc. v. Portugal* [GC] no 73040/0111 January 2007, ECHR 2007 I.

these guarantees today are also extended to intellectual property and explicitly recognized in Article 17(2) of the Charter of Fundamental Rights. In *Promusicae v. Telefónia de España*, the Court clearly stated that the 'fundamental right to property, which includes intellectual property rights such as copyright and the fundamental right to effective judicial protection constitute general principles of Community law'.[34] Copyright protection as property right under EU law was confirmed in subsequent case law.[35]

The extension of property protection to IPR finally can be observed in recent treaty practice in dispute settlement based upon bilateral investment protection agreements. Cases relating to restrictions on the use of trademarks for reasons of protecting public health (for example plain packaging of cigarettes) are assessed under the bilateral investment treaties (BITs).[36] The same applies to recent trade agreements. The Comprehensive Economic and Trade Agreement between the European Union and Canada explicitly includes intellectual property rights in investment protection,[37] but also safeguards IP-related restrictions from

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[34] Case C-275/06, *Productores de Música de Espanã (Promusicae) v. Telefónia de España SAU*, EU:C:2008:54 Judgment of the Court (Grand Chamber) of 29 January 2008 (no obligation of internet provider to disclose identity of infringer in EU law).

[35] Case C-70/10, *Scarlet Extended NV v. Belgische Vereneging vn Auteurs, Componisten en Uitgevers, CVBA (SABAM)*, EU:C:2011:771, Judgment of the Court (Third Chamber) of 24 November 2011; and Case C-360/10, *Belgische Vereneging vn Auteurs, Componisten en Uitgevers, CVBA (SABAM) v. Netlog NV*, EU:C:2012:85, Judgment of the Court (Third Chamber) (MS must respect prohibition of general monitoring by IPS (E-Commerce Directive 2000/31 and of IP enforcement directive 2004/48: Filtering amounts to general monitoring prohibited)).

[36] *Philip Morris Asia Limited v. The Commonwealth of Australia*, UNCITRAL, PCA Case No. 2012-12 <https://www.italaw.com/cases/851> accessed 24 June 2017; *Philip Morris Brands Sàrl, Philip Morris Products S.A. and Abal Hermanos S.A. v. Oriental Republic of Uruguay*, ICSID Case No. ARB/10/7 (formerly *FTR Holding SA, Philip Morris Products S.A. and Abal Hermanos S.A. v. Oriental Republic of Uruguay*) <https://www.italaw.com/cases/460> accessed 24 June 2017.

[37] Article 8(1), Comprehensive Economic and Trade Agreement between Canada and the European Union, adopted February 15, 2017 by the European Parliament (not yet in force) <http://ec.europa.eu/trade/policy/in-focus/ceta/ceta-chapter-by-chapter/> accessed 24 June 2017.

performance requirements and compensation,[38] following the experience made in the Lilly case when denial of patent protection was challenged under the provisions of the North American Free Trade Agreement.[39]

5. THE LEGAL NATURE OF PROPERTY RIGHTS

Given the protection of IPR under the European Convention on Human Rights (ECHR) and the Charter of Fundamental Rights as well as Article 15 of the Covenant on Economic, Social and Cultural Rights, further supported by the Universal Declaration of Human Rights, it has been argued that intellectual property and copyright in particular amount to human rights' guarantees in their own right. These documents provide the basis for the school of thought which assigns IPR to the field of fundamental human rights, thus resulting in strong levels of protection which is essentially binding on legislators and subject to strict legal disciplines in restricting such rights, as generally applied for the restrictions of human rights.[40] Courts therefore would be obliged to strictly observe the rule of law, compelling public interest and respect of proportionality, all subject to full judicial review by constitutional and human rights courts. This perception implies that property rights are similar to human rights and enjoy the same level and intensity of protection.

Courts, however, throughout the centuries, have dealt with property rights in a particular manner. Other than human rights, derived from natural law, property of land, assets and capital is assessed in terms of an institutional guarantee. Protection only exists to the extent that the legal order provides a system of property rights in positive law, either case law or statutory law or in a combination of both. In the words of David Hume, they are conventional in nature.[41] Legislators and courts shape the property system in accordance with utilitarian concepts. This is true both for tangible and intangible property. Property law seeks to maximize

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[38] Ibid. Chapter 8.14(4); Chapter 13.10(6), Annex 8-D concerning Chapter 8.12(6).

[39] *Eli Lilly and Company v. The Government of Canada*, UNCITRAL, ICSID Case No. UNCT/14/2 <https://www.italaw.com/cases/1625> accessed 24 June 2017.

[40] See P Buck, *Geistiges Eigentum und Völkerrecht: Beiträge des Völkerrechts zum Schutze von geistigem Eigentum* (Berlin: Dunker und Humblot 1994).

[41] D Hume, *A Treatise on Human Nature* (1739); see Online Library of Liberty, D Hume on Property as a convention which gradually emerges from society, <http://oll.libertyfund.org/quotes/546> accessed 1 March 2017.

welfare for the general public and society at large, rather than focussing on individual rights essentially protecting human dignity of the individual persons and rightholders. *Donaldson v. Beckett* laid such foundations in 1774 for intellectual property protection prior to the human rights movement. Ever since this case, as Peukert notes,

> it has been widely accepted in both common law and civil law jurisdictions that copyrights, patents and other IP rights only exist under the statutes as 'creatures' of the legislature. For this reason, they are universally considered 'territorial in nature', bound to the territory of the public authority that granted them.[42]

With a few exceptions invoking natural law, this approach has been consolidated over time by main constitutional courts upon the establishment of human rights guarantees in domestic and international law.[43] Property is defined by legislation and subject to it; there is no predefined notion of property as a matter of natural law, except for personal items upon which we depend. Rather it is shaped in accordance with societal needs and is changing with technological evolution. This also fits the essential characteristics of intellectual property rights beyond territoriality: the limitation in time of copyright and patents. Or, the need to renew titles of protection periodically in trademark law is incompatible with perceptions of pre-statal, natural law-based human rights. The extension of patents and copyright to companies as the main stakeholders in the system faces the problem that human rights – beyond procedural guarantees of due process and the right to do business – do not unequivocally pertain to juridical persons and large multinational companies in particular. Finally, the possibility to create new titles of protection such as related rights, geographical indications (GIs), integrated circuits or the protection of undisclosed information and test data shows that the system is shaped and defined by legislation, practice and precedents in the wake of social and economic change. It even could be abolished should it no longer serve the welfare goals intended and pursued. At any rate, key

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[42] A Peukert, 'The Fundamental Right to (Intellectual) Property and the Discretion of the Legislature', in Ch Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing 2015) 132–172, 139.

[43] Bundesverfassungsgericht Case 1 BvL 19/76 12 June 1979, BVerfG 52, 1 (Kleingarten); Bundesverfassungsgericht Case 1 BvR 987/58, 14 November 1962, BVerfG 15, 126 (Staatsbankrott); the same can be observed in the United States: *Golan v. Holder*, 132 S.Ct 873 (2012); *Eldred v. Ashcroft*, 537 US 186 (2003).

issues, in particular the scope of rights, are constantly changing in light of technological advances and change.

5.1 European Court of Human Rights

The structural difference of property rights explains why the European Court of Human Rights has treated alleged violations of intellectual property rights with considerable deference, even in cases affecting due process in the context of Article 6 ECHR. It exercises strong deferential standards towards domestic law and measures enforcing IPR including high fines.[44] This somewhat contrasts with rulings on unlawful blocking of internet access as a violation of freedom of expression where copyright issues were not involved.[45]

5.2 Court of Justice of the European Union

The Court of Justice of the European Union takes a somewhat different approach due to a different perspective. The Court is mainly called upon to assess potential violations of secondary law in the field of intellectual property rights. In applying and interpreting IPR rules, the court is obliged to take into account human rights enshrined in the Charter of Fundamental Rights. Human rights are introduced to balance interests and rights and are taken into account. In doing so, the Court seems to accept that IPR and human rights are on a par and of similar standing and value. The case law is fact intensive, and consideration of human rights and balancing does not follow a particular methodology. *GS Media BV v. Sanoma Media* discussed at the outset reflects a constant pattern of the Court being dedicated to balancing the different interests at stake.[46] It

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[44] See ECtHR, *Dima v. Romania*, no 58472/00 (no copyright protection for created state emblems upheld); ECtHR, *Balan v. Moldova*, no 19247/03 (29 January 2008) (unreported) (no copyright for photos taken for official purposes upheld; ECtHR, *Ashby Donald and others v. France*, no 36769/08, 10 January 2013 (unreported) (restriction of freedom of press upheld and high penalties); ECtHR, *Frederik Neij and Sunde Kolmisoppi v. Sweden*, no 40397/12, 19 February 2013 (Free downloads protected by freedom of expression, but restrictions justified by copyright law, high penalties upheld).

[45] ECtHR, *Ahmet Yildirim v. Turkey*, no 3111/10, 18 December 2012, Reports of Judgments and Decisions 2012 (blocking of internet by Turkey incompatible with freedom of expression and information).

[46] Case C-314-12, UPC *Telekabel Wien GmbH v. Constantin Film Verleih GmbH, Wege Filmproduktionsgesellschaft mbH*, EU:2014:192, Judgment of Court (Fourth Chamber) of 27 March 2014 (stresses freedom of expression in the

remains unclear whether this implies an implicit recognition of property as a human right, on a par with other rights, in particular freedom of information and expression. At any rate, the approach differs from courts having property or human rights violations as their starting point, typical for constitutional courts and the European Court of Human Rights discussed above. The Charter of Fundamental Rights is not yet its starting point, but offers additional considerations which need to be taken into account in construing secondary legislation of the Union. We shall return to this in section 6.3.

5.3 WTO Panels and Appellate Body

Again, the approach is yet different again in WTO law. Panels and the Appellate Body are limited to assessing complaints relating to violation of WTO law. It is impossible to bring a complaint before the WTO – other than before the European Court of Human Rights and the European Court of Justice – which is based upon the violation of human rights. While this excludes standing, human rights, however, can be taken into account in interpreting and applying WTO law.

Panels and the Appellate Body so far have not directly dealt with the relationship of human rights and intellectual property, and copyright and related rights in particular. A panel was called upon to assess fair use exemptions in copyright law, applying the three-step test for excessive restrictions on copyright and related rights imposed in restaurants and shopping malls.[47] The case indirectly relates to cultural rights of Irish musicians and freedom of information. Another panel addressed unlawful exclusions of prohibited works from copyright protection and allegedly

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Internet; injunctions taken on the basis of the Information Society Directive 2001/29/EC Article 8(3) must take human rights into account); Case C 201/13, *Deckmyn and Vriheidsfonds VZW v. Vandersteen … and WPG Uitgevers België*, EU:C:2014:2132 Judgment of the Court (Grand Chamber) of 2 September 2014 (Freedom of expression to be taken into account in assessing fair use exemptions leading to broad concept of parody); Case C-117/13, *Technische Universität Darmstadt v. Eugen Ulmer KG*, EU:C:2014:2196, Judgment of the Court (Fourth Chamber) of 11 September 2014 (Publishers cannot restrict access to works under Article 5(3)(n) of the Information Society Directive 2001/29/EC and bar public libraries for the purpose of research and private study undertaken by individuals); Case C-34/10, *Brüstle v. Greenpeace*, EU:C:2011:669, Judgment of the Court (Grand Chamber) of 18 October 2011 (important to take human dignity into account in patent law).

[47] United States – Section 110(5) of the US Copyright Act (WT/DS160, 15 June 2000).

insufficient enforcement of intellectual property rights in China.[48] The case indirectly touches upon freedom of information, securing that all works independent of content benefit from copyright protection. Connotations to the right to health exist in patent law and access to essential drugs.[49] They are likely to be discussed in impending litigation on plain packaging relating to trademark law.[50]

One case, however, is of particular importance in the present context. In *China – Audiovisual Services*, the panel and the Appellate Body were called upon to assess the compatibility of Chinese law restricting copyright protection for censored works. Moreover, they were asked to assess whether the modalities of censorship exercised by state trading import monopolies controlled by the government are compatible with WTO law.[51] The panel and the Appellate Body found that censorship cannot exempt works from copyright protection. States, however, are free to operate censorship resulting in import restrictions, provided import restrictions are justified under Article XX General Agreement on Tariffs and Trade (GATT) and the right to protect public morals. In this case, it was held for the first time that the respondent does not meet the necessity test, and that less intrusive alternate ways and methods to exercise censorship are readily available. Censorship by state-trading companies is unlawful. If a state operates censorship, it must be operated by public authorities. Discharging companies from such tasks render import monopolies unnecessary, and market access for foreign companies selling and importing audio-visual goods and services must no longer be denied.

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[48] China – Measures affecting the Protection and Enforcement of Intellectual Property Rights (WT/DS/362/R, 26 January 2009).

[49] Declaration on the TRIPs Agreement and Public Health, adopted 14 November 2001, <https://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_trips_e.htm> accessed 24 June 2017.

[50] *Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging* DS 458 (pending, see <https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds458_e.htm> accessed 24 June 2017). The case will be of general importance as it concerns governmental restrictions of use of intellectual property in Article 20 TRIPs Agreement stating that '[t]he use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements', thus transgressing the perception that IPR are private rights, as stated in the preamble of the TRIPs Agreement.

[51] *China – Measures affecting Trading Rights and Distribution Services for Certain Publications and Audiovisual Entertainment Products* (WT/DS363/AB/R, 21 December 2009).

It is important to note that neither the Parties, nor the panel and the Appellate Body invoked the human rights of freedom of information and expression, or the cultural rights of citizens by denying access to certain foreign works. Yet, the need to transfer censorship operations to a government authority inherently increases transparency and also opens determinations to judicial review, mandatory under both Article X GATT and the Protocol of Accession of the People's Republic of China. Indirectly, the ruling supports and protects human rights concerns of unduly restricting freedom of information and expression.

The panel and the Appellate Body could have taken these rights into account under Article 31(3)(c) of the Vienna Convention on the Law of Treaties, in the process of applying and interpreting the pertinent rules of the WTO, in particular the TRIPs Agreement and GATT 1994. While scholars have called for considering human rights in such a manner, Parties to the WTO, panels and the Appellate Body so far have refrained from doing so. However, given the extensive experience of linking trade and environmental concerns, it is only a matter of time until human rights will be introduced in litigation. Freedom of expression, in this particular case, could have a bearing on interpreting the notion of public morals in international law. It could have assisted in gradually improving freedom of information in China which, in my view, is an important ingredient of a market economy. Without freedom of information, markets cannot properly work.

6. ASSESSMENT AND PROSPECTS

The relationship of copyright, related rights and human rights thus strongly depends upon the particular Court, its mandate and its scope of jurisdiction. The methodology of interfacing the two fields strongly depends on the angle imposed or taken by the court. While the European Court of Human Rights essentially relies upon human rights as a starting point, the Court of the European Union today introduces human rights as a balancing consideration in construing secondary EU law. It may eventually evolve into a more constitutional approach under the primary law of the Charter of Fundamental Rights. WTO panels and the Appellate Body are clearly limited to considering human rights as an element of interpretation. Their ruling may imply indirect effects in support of human rights. It will take some more time to establish explicit linkages in treaty law in the WTO by including operational human rights, in particular freedom of expression and the right to health in the TRIPs

Agreement or a related instrument. Differences in mandate and jurisdiction also explain why the scope of review is not uniform.

In conclusion, the relationship of copyright and human rights is a complex one and cannot be readily addressed without taking into account the particular structure of the legal instrument and court system at hand. What generally can be said is that assessments are fact intensive and depend on the particular configuration of the case. Yet, it clearly is not a matter of simply juxtapositioning IPR and human rights. The United States Supreme Court famously stressed the importance of copyright protection as a precondition of freedom of expression. Moreover, human rights may particularly support and protect the dimension of moral rights, invoking Article 12 of the Universal Declaration on Human Rights and related rights: 'No one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor to attacks upon his honour and reputation. Everyone has the right to the protection of the law against such interference or attacks.' Finally, procedural rights and due process are of utmost importance in the support of rightholders seeking to obtain IPR protection, in particular in patent and trademark law and other forms dependent upon registration. It may, on the other, also restrict excessive standards of copyright protection. Importantly, however, for courts having comprehensive jurisdiction, it is not simply a matter of balancing all the interests at stake, but developing a proper methodology which recognizes the framework of human rights as a starting point in defining copyright protection, in particular in the Post-Gutenberg Age.

6.1 A Constitutional Approach

It is submitted that a constitutional approach based upon fundamental and human rights guarantees should be used whenever possible in order to design and legally assess compatibilities of copyright law as a utilitarian concept. Human rights provide an overarching valuational framework. It offers the constitutional background for legislation, and the starting point of analysis. It shapes the legal methodology accordingly. Assessing compatibility with human right entails a different approach from generally and pragmatically balancing IPR and human rights.[52] The constitutional perspective may produce the same results as

[52] See L R Helfer, 'Toward a Human Rights Framework for Intellectual Property' (2007) 40 UC Davis Law Review 971–1020; cf. also A R Chapman, 'The Human Rights Implications of Intellectual Property Rights' (2002) 5 Journal of International Economic Law, 861–882; Peukert, *supra* n. 42.

generally balancing interest taken on a par. Methodologically, however, it is fundamentally different.

To start with, legislators and all courts can and should take into account the differences of the legal nature of property rights and human rights; while the first ones are conventional and agreed, the latter do not depend upon positive law, and the essence of rights needs to be respected by legislation and cannot be completely restricted and suppressed. The special status of property rights as an institutional guarantee inherently assumes a serving function and can only exist to the extent that the property regime, as defined in statutory law and precedents, is compatible with the overarching spectrum of human rights and the essence of these rights. The utilitarian concept of copyright and related rights thus is to be mainstreamed along human rights. No longer should we operate distinctions of private and public law in the field of intellectual property and copyright in particular. They certainly no longer exist in European and international economic law. Both being private rights and monopolies granted by government, they support and restrict human rights at the same time. To the extent that they support IPR, this should translate into the formulation and interpretation of intellectual property standards. To the extent IPR restrict human rights, the formulation and interpretation is subject to the three-step conditions of a clear legal basis in statutory law, overriding public interest and the test of proportionality. This perspective will allow better coping with ongoing and challenging technological change. Human rights make sure that we do not lose sight of what, at the end of the day, intellectual property protection is called upon to serve and to protect. This is particularly true for the law of the European Union to which human rights fully apply under the Charter of Fundamental Rights.

6.2 The Impact of the Charter of Fundamental Rights

With the entry into force of the Charter of Fundamental Rights, including protection of IPR in Article 17, experts and politicians are called upon to take human rights into account in designing and shaping copyright in positive law. Lawyers and the Court are today offered the option to plead in a constitutional law mode and argue that secondary EU law, or its application, is consistent or inconsistent with fundamental rights enshrined in the Charter. Beyond property rights, a host of rights are potentially affected. We recall in particular Article 1: human dignity, Article 3: right to integrity of the person, Article 7: respect for private and family life, Article 8: protection of personal data, Article 11: freedom of expression and information, Article 13: freedom of arts and sciences, Article 14: right to education, Article 16: freedom to conduct a business,

Article 20: equality before the law, Article 26: integration of persons with disabilities, Article 38: consumer protection, Article 41: right to good administration, Article 42: access to documents, Article 47: the right to effective remedy and to a fair trial, and additional procedural guarantees in Articles 48–50 of the Charter. All these rights and provisions are potentially relevant in shaping standards of copyright. They all may be relevant in reviewing such standards before a court of law.

In addressing a matter pertaining to copyright or related rights, it is a matter of landscaping the human rights environment as a first step. Which rights are affected and concerned? Which rights are supported and which rights are restricted by the copyright provision? These rights may be mutually supporting, or competing and conflicting. Legislators and courts need to accommodate them to the utmost extent possible. It goes without saying that this is a difficult task, expounding diverging conflicting interests. But landscaping human rights offers the possibility to discuss all pertinent and legally relevant interests in a transparent manner. It offers the grounds for balancing and compromise in the process of legislation. When copyright limits fundamental rights, the Charter offers a methodology to assess resulting restrictions. Article 52(1) sets out the requirements to be met to the extent that human rights are restricted. They essentially relate to the rule of law, respect of the essence of the right, public interest or protection of other rights, and proportionality of the measure at stake:

> 1. Any limitation on the exercise of the rights and freedoms recognised by this Charter must be provided for by law and respect the essence of those rights and freedoms. Subject to the principle of proportionality, limitations may be made only if they are necessary and genuinely meet objectives of general interest recognised by the Union or the need to protect the rights and freedoms of others.

The configuration is comparable to the methodology developed by constitutional courts, the European Court of Human Rights and the Court of the European Union in assessing restrictions of the four freedoms. It was in particular applied in adjudicating intellectual property rules in Member States' domestic law and resulting quantitative restrictions. The Court assesses whether one of the fundamental freedoms or any other provision of the TFEU is affected. If yes, it is a matter of examining whether the provisions can be justified under existing restrictions, in particular within Article 34 or by Article 36 TFEU.[53]

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[53] See for example Ch Waelde, 'Free Movement of Goods and Intellectual Property Rights', in Ch Waelde, G Laurie, A Brown, S Kheria, J Cornwall,

Balancing the property rights and human rights at stake is particularly difficult in the digital economy. Directive 2001/29/EC of the European Parliament and of the Council of May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society stipulates that '[t]he proposed harmonization will help to implement the four freedoms of the internal market and relates to compliance with the fundamental principles of law and especially of property, including intellectual property, and freedom of expression and the public interest.'[54] It further recognizes that

> [a] fair balance of rights and interests between the different categories of rightholders, as well as between the different categories of rightholders and users of protected subject-matter must be safeguarded. The existing exceptions and limitations to the rights as set out by the Member States have to be reassessed in the light of the new electronic environment.[55]

The Directive offers strong intellectual property protection in Article 3 as reproduction rights and communications to the public by the rightholder or with its consent do not exhaust copyright and thus establishes control over digital content for no less than 70 years post-mortem. The legal status of distribution rights is less clear. According to Article 4(2) they equally do not exhaust 'in respect of the original or copies of the work except where the first sale or other transfer of ownership in the Community of that object is made by the right holder or with his consent'. Since first sale or transfer depends upon consent it would seem that distribution rights are subject to regional exhaustion as a result. The balance with human rights concerns and other interests is sought in Article 5 which entails a host of exceptions to reproduction and distribution rights, subject to the three-step test (Para 5). From a human rights angle, legal licences and fair use are important for the purposes of teaching and research (3a), uses for people with disabilities (3b), reproduction by the press (3c), quotations for criticism and review (3d), use of political speech (3f), use during religious celebrations (3g), advertising public exhibitions and sale of artistic works (3j), use for purpose of caricature (3k), use for research and private purposes (3n, 2b), and public libraries (2c). The list looks fairly random; it is the result of specific lobby efforts rather than a methodological approach. Important concerns

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Contemporary Intellectual Property: Law and Policy (3rd ed., Oxford: Oxford University Press 2014) 833.

[54] OJ L 167/10 22.6.2001 preamble para 3.

[55] Ibid. para 31.

are not reflected. Freedom of information, essential for the operation of a market economy and thus the common market, is not included.

Indeed, the question arises whether the classical rule-exception model, the model of strong copyright protection subject to listed exceptions, is able to properly reflect a human rights-based approach. We recalled that property rights conceptually are subject to legislation, while human rights are not a matter at the disposition of legislation. It follows that a proper balance of property and human rights primarily requires reshaping property within the framework of Article 52 of the Charter of Fundamental Rights, rather than simply adding a random and even exhaustive list of fair use exemptions to strongly protected rights. The topic is widely debated, and it goes beyond the scope of this paper to summarize the debate. Except for Peukert, the methodology of restricting human rights has not been prominently featured so far.[56] Discussions usually focus on the general relationship of copyright and human rights and the issue as to which of them should prevail.[57]

Restrictions of human rights, in particular freedom of information and freedom of expression by means of intellectual property and copyright, are duly possible up to the point that the essence of human rights is affected. Sufficiently precise legal foundations of intellectual property rights, the public interest in protecting them and encouraging innovation and investment can be readily met. The critical test, in my view, is necessity and proportionality. The latter is able to offer appropriate guidance in reshaping property rights. Proportionality essentially consists of three components: the measure is necessary, the measure is suitable and able to achieve the goal, and the means of the measure do not exceed what is necessary to achieve the goal.[58] The relationship of end and

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[56] Peukert, *supra* n. 42 at 132–148. His first subtitle reads: 'From Balancing to Justification'.

[57] For current literature on the topic see for example K Buss, 'Copyright and Free Speech: The Human Rights Perspective' (2015) 8 Baltic Journal of Law & Politics, 182–202, <https://www.degruyter.com/downloadpdf/j/bjlp.2015.8.issue-2/bjlp-2015-0024/bjlp-2015-0024.pdf> accessed 24 June 2017; C P Rigamonti, 'Urheberrecht und Grundrechte, Zeitschrift des bernischen Juristenvereins' (2017) 365, 347 arguing, anchored in the tradition of civil law, that human rights are too vague a concept to be applied instead of specific fair use exceptions defined by legislation. The view ignores that case law and open textured human rights have been better suited to address complex issues caused by technological change than abstract *ex post* legislation.

[58] See J Christoffersen, 'Human Rights and Balancing: The Principle of Proportionality', in Ch Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Cheltenham, UK and Northampton, MA: Edward Elgar

means perhaps is the most important factor in guiding shaping property rights. From this angle, the present scope of copyright protection in the Post-Gutenberg era is brought into question.[59] Assessing proportionality, the duration of rights goes beyond of what is necessary to recuperate investments and efforts made. Incentives to create do not depend any longer upon a duration of 70 years' post-mortem protection but may return to the protection provided by the Act of Anne in the digital era. Dissemination of information requires reviewing exhaustion of rights. Intangible goods and services are not excluded from this doctrine and restriction.[60] It is difficult to see why digital reproduction rights do not exhaust, while distribution rights are subject to the first sale doctrine and transfer of ownership by consent in accordance with Article 4(2) of Directive 2001/29/EC. It would seem appropriate to develop an exhaustion doctrine able to preserve incentives to create and invest and limit free flow of information in the public domain only to the extent necessary to achieve these goals.[61] The question arises whether control over the first release of copies and control of timing do not suffice. Moreover, downstream digital operations beyond contractual relations are almost impossible to control and monitor. Legal security and dissemination of information under freedom of information and expression speak in favour of a more open approach. Digital copyright should be redefined to international exhaustion upon first sale and release of the content. It could be made subject to a general legal requirement to indicate the source and the name of the author, but without the restrictions on certain contents currently listed in Article 5(2)(c) of the Directive 2001/29/EC.

Publishing 2015), 19–38; see generally: Th Cottier et al., 'Proportionality in International Law: Foundations and Variations' (2017) 18 Journal of World Investment and Trade, 628–672.

[59] See J Litman, *Digital Copyright* (Michigan Publishing Maize Books 2017) <http://www-personal.umich.edu/~jdlitman/papers/Digital%20Copyright.pdf> accessed 24 June 2017; see also J C Ginsburg, 'Can Copyright Become User-Friendly? Essay Review of Jessica Litman, Digital Copyright' (2001) 25, Columbia-VLA Journal of Law & Arts 1; <https://en.wikipedia.org/wiki/Copyright_Directive> accessed 24 June 2017.

[60] See Case-128/11, *UsedSoft Gmbh v. Oracle Int'l Corp*, EU:C:2012:407, Judgment of 3 July 2012.

[61] See also G Westkamp, 'Exhaustion and the Internet as a Distribution Channel: The Relationship between Intellectual Property and European Law in Search of Clarification', in I Calboli, E Lee (eds) *Research Handbook on Intellectual Property Exhaustion and Parallel Imports* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing 2016) 498–517; A Perzanowski, J Schultz, 'Digital Copyright Exhaustion and Personal Property', ibid. 518–536.

From the point of view of freedom of information and expression and free speech, limitations of fair use on current economic, political or religious topics at the exclusion of other content cannot be justified under copyright law which must be neutral on content. Importantly, it should also include commercial speech, essential in the operation of a market economy.

6.3 Testing the Case of Hyperlinking

Returning to the case of *GS Media BV v. Sanova Media*, addressing the issue of copyright clearance for hyperlinking and discussed at the outset, it would be a matter of assessing firstly which human rights are affected in the case: Article 16 right to do business, Article 17 protection of property, Article 11 freedom of information and expression, Article 1 human dignity and Article 6 respect of private and family life. It is one thing to have explicit pictures printed in a magazine and another to have them circulated digitally with global access and distribution. Copyright clearance for hyperlinking is supported by the right to do business, the right to property, human dignity, and respect of private and family life. It is countervailed by the freedom of information and expression, and the right to do business by users.

Applying the test of Article 52 of the Charter, Article 3(1) of Directive 2001/29/EC offers an adequate legal basis setting out copyright and the right to control any communication to the public of their work. There is a public interest in granting exclusive right in order to encourage investment, in line with the right to property and to do business, and human dignity and respect of privacy in this particular case. Freedom of information and expression, on the other hand, support hyperlinking and access to published materials. There is a general interest in wide and robust dissemination of information, albeit a question mark remains in the particular case.

These elements should inform the interpretation of the notion of communication to the public. Duties of care in checking whether communication to the public was authorized or not should be defined in accordance with human rights affected in a particular case. Materials affecting human dignity and personality, also taking into account personality rights in Article 12 of the Universal Declaration on Human Rights, evidently require a standard of stricter scrutiny than materials of general interest and importance for debate or commercial information. In this particular case, it would seem important to require an assessment of the lawfulness of release and publication by users before hyperlinking is allowed to take place. Whether or not this hyperlinking takes place for

commercial or non-commercial purposes cannot be relevant. Human dignity and personality is affected either way, and users should assume appropriate responsibility and liability. Secondly, it is difficult to separate the economic impact along the lines of commercial or non-commercial activities. Publication for non-commercial purposes may equally affect economic and thus copyright interests.

Rather than relying upon categorical distinctions, it is submitted that users should be obliged to verify copyright clearance taking into account the content of the publication. Content of personal sensitivity should be cleared prior to hyperlinking, and users should be obliged to make the effort of verifying whether the material was released for publication or not. For other content – and what amounts to the mainstream of publications – a standard would be sufficient to assess whether the user knew, or was reasonably able to know, whether the material was not authorized to be communicated to the public in the first place. Freedom of information and access to information and dissemination are of overriding general interest and downstream hyperlinking of originally unauthorized materials should be generally lawful, unless the user acts in bad faith and contrary to what he or she knew or could have reasonably known. This is the test the TRIPs Agreement applies to illegal incorporation of microchips into products legally traded.[62] Remedies are limited to damages in such cases for stock at hand. This approach could also be suitable in the field of copyright. Good faith and reducing copyrights to liability rules, as suggested by Jeremy Reichman and Keith Maskus,[63] would seem suitable to address the problem of unlawful hyperlinking a fast-moving reality as a general rule. It also shows that human rights approaches do not necessarily go against intellectual property rights, but may assist in finding more appropriate rules in the fast-moving reality of the Post-Gutenberg era of digital trade than stretching existing and traditional concepts made for the print age.

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[62] Article 37, TRIPs Agreement states: [N]o Member shall consider unlawful the performance of any of the acts referred to in [Article 36] in respect of an integrated circuit incorporating an unlawfully reproduced layout-design or any article incorporating such an integrated circuit where the person performing or ordering such acts did not know and had no reasonable ground to know, when acquiring the integrated circuit or the article incorporating such an integrated circuit, that it incorporated and unlawfully reproduced lay-out design.'

[63] J Reichman, K Maskus, 'The Globalization of Private Knowledge Goods and the Privatization of Global Public Goods' (2004) 7 Journal of International Economic Law, 279–320.

Section 2 Intellectual Property and the Court of Justice of the European Union

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4. Taking power tools to the *acquis* – the Court of Justice, the Charter of Fundamental Rights and European Union copyright law

Jonathan Griffiths

As is well known, copyright law is only partially harmonised in the European Union.[1] While several important Directives have been adopted, a number of key issues continue to fall within the scope of national law. Nevertheless, over the last few years, the Court of Justice has interpreted this legislative *acquis* in a manner that has done a great deal to develop a more fully articulated body of copyright rules. It has assumed responsibility for several issues that might reasonably have been considered to fall within Member State competence[2] and, as a result, a number of apparent gaps in the coverage of the relevant secondary legislation have been filled. In fleshing out the skeletal framework in this way, the Court has increasingly been guided by the apparent requirements of the rights enshrined in the Union's Charter of Fundamental Rights.[3] This development has been described as 'constitutionalisation'.[4] In this chapter, I

[1] For ease of argument, the term 'European Union' is used throughout here to describe both the European Union and predecessor bodies.

[2] See, for example, the consideration of the originality/creativity standard in Case C-5/08 *Infopaq International A/S v Danske Dagblades Forening* [2009] EU:C:2009:465 and the regulation of copyright ownership in Case C-277/10 *Luksan v Van der Let* [2011] EU:C:2012:65.

[3] Charter of Fundamental Rights of the European Union, OJ C 364/1, 18 December 2000. For detailed discussion of the Charter, see S Peers et al., *The EU Charter of Fundamental Rights: a Commentary* (Oxford: Hart Publishing, 2014)

[4] See, for example, C Geiger, '"Constitutionalising" intellectual property law? The influence of fundamental rights on intellectual property in the European Union' (2006) IIC 371; J Griffiths, 'Constitutionalising or harmonising? The Court of Justice, the right of property and European copyright law'

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sketch the process of constitutionalisation and consider whether it is likely to lead to the further development of rules at European Union level without need for legislative intervention. In particular, I investigate, first, whether it might result in the establishment of a more comprehensive and more fully harmonised set of exceptions in Union copyright law.[5] Secondly, I ask whether it might also lead to the recognition of a broader range of rights (both economic and non-economic) for authors and other right-holders.[6]

1. THE CONSTITUTIONALISATION OF EUROPEAN COPYRIGHT LAW

For many years, the fundamental rights protected under the European Convention on Human Rights (ECHR) and in national legal systems have been recognised as 'general principles' of Union law against which copyright law must be interpreted. Thus, for example, in 1998, in (C-200/96) *Metronome Musik GmbH v Music Point Hokamp GmbH*,[7] the Court considered a reference from the Köln Regional Court relating to the validity of Art 1(1) of the Rental and Lending Right Directive,[8] which requires Member States to provide rights to control the rental and lending to the public of works and other subject-matter. In the domestic proceedings, the defendant, who had been prevented from renting out compact discs bearing recorded music, challenged the validity of Art 1 and its

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(2013) European Law Review 65; T Mylly, 'The constitutionalisation of the European legal order: impact of human rights on intellectual property in the EU', in C Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing, 2015) 103; J Schovsbo, 'Constitutional foundations and constitutionalization of IPR law' (2015) Zeitschrift für Geistiges Eigentum 383.

[5] The term 'exceptions' is used throughout this chapter, even though 'exceptions and limitations' is used generally in the legislative *acquis*.

[6] The arguments advanced in this chapter may, in some instances, apply both to the authors of 'works' and to the holders of rights in other forms of protected subject-matter (often described as 'related rights'). For simplicity's sake, the text refers to authors only.

[7] 28 April 1998, ECR [1998] I-1953.

[8] Directive 2006/115/EC of the European Parliament and of the Council of 12 December 2006 on rental right and lending right and on certain rights relating to copyright in the field of intellectual property (codified version) OJ No L 376/28, 27 December 2006.

domestic implementation on the ground that they breached its fundamental right to trade freely as a rental business. The Court noted that 'according to settled case-law, the freedom to pursue a trade or profession, and likewise the right to property, form part of the general principles of [Union] law'[9] but went on to hold that:

> [T]he general principle of freedom to pursue a trade or profession cannot be interpreted in isolation from the general principles relating to protection of intellectual property rights and international obligations entered into in that sphere by the Community and by the Member States. Since it does not appear that the objectives pursued could have been achieved by measures which preserved to a greater extent the entrepreneurial freedom of individuals or undertakings specialising in the commercial rental of phonograms, the consequences of introducing an exclusive rental right cannot be regarded as disproportionate and intolerable.[10]

This passage indicates a form of scrutiny within which the rights of copyright owners ('protection of intellectual property rights') are balanced against those of users of copyright works ('freedom to pursue a trade or profession') in a loose assessment of proportionality.

This substratum of fundamental rights was considered again in copyright proceedings in (C-479/04) *Laserdisken ApS v Kulturministeriet*,[11] a reference for a preliminary ruling concerning the interpretation and validity of Art 4(2) of the Information Society Directive, which requires Member States to implement a system of regional (as opposed to international) exhaustion of distribution rights.[12] Laserdisken, a commercial company selling copies of cinematographic works which had previously relied upon a system of international exhaustion of rights to obtain its goods, considered that the change in Danish law arising from the implementation of the Directive had adversely affected its commercial interests. It challenged the validity of this provision of the Directive

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[9] Case C-200/96 *Metronome Musik* [1998] EU:C:1998:172. Para 21.

[10] Ibid., [26].

[11] 12 September 2006, ECR [2006] I-8098.

[12] Under a system of international exhaustion, the distribution right relating to a particular copy of a copyright work is exhausted on the first transfer of ownership of the copy with the consent of the copyright owner anywhere in the world. Under the system of regional exhaustion applicable within the European Economic Area under the Information Society Directive, the distribution right relating to a particular copy of a copyright work is only exhausted on the first transfer of ownership of the copy with the consent of the right-holder within the European Economic Area. Transfers outside that area do not exhaust the distribution right.

before the national courts on a number of grounds and a series of questions were referred to the Court of Justice. Amongst these, the Court raised the potential incompatibility of the rule of regional exhaustion enshrined in Art 4(2) with the right of freedom of expression. In relation to freedom of expression, the Court stated that:

> ... [a]ccording to settled case-law, fundamental rights form an integral part of the general principles of law the observance of which the Court ensures, and ..., for that purpose, the Court draws inspiration from the constitutional traditions common to the Member States and from the guidelines supplied by international treaties for the protection of human rights on which the Member States have collaborated or to which they are signatories. The ECHR has special significance in that respect ... Freedom of expression, enshrined in Article 10 of the ECHR, is a fundamental right the observance of which is ensured by the Community courts ... The same is true of the right to property, which is guaranteed by Article 1 of the Additional Protocol to the ECHR ...[13]

In this particular instance, the Court concluded that a mandatory rule of regional exhaustion did not breach the right of freedom of expression protected under Art 10, ECHR because it was 'justified in the light of the need to protect intellectual property rights, including copyright, which form part of the right to property'. The outcome in *Laserdisken* was similar to that in *Metronome Musik*, in that the challenge to the constitutionality of Union secondary legislation was dismissed in a cursory manner.[14] Nevertheless, the Court's explicit reference to the analytical framework established under the ECHR hints at a potentially more disciplined framework for the application of fundamental rights than that employed in *Metronome Musik*.[15]

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[13] Case C-479/04 *Laserdisken* [2006] EU:C:2006:549, paras 61–62.

[14] In analysing the impact of fundamental rights in the Court's intellectual property jurisprudence, Mylly has characterised the period during which *Metronome Musik* and *Laserdisken* were decided as one of 'rejection and ignorance' of constitutional arguments. See T Mylly 'The constitutionalisation of the European legal order: impact of human rights on intellectual property in the EU', in C Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing, 2015) 103, 107.

[15] The rule of regional exhaustion enshrined in Art 4(2) was also challenged under the principle of equal treatment. However, the Court held that Laserdisken were seeking to compare situations which were manifestly distinct ((Case C-479/04) *Laserdisken* [67]–[70]).

The Judgment in (C-275/06) *Promusicae*,[16] handed down only a year or so after *Laserdisken* and a year and a half before the coming into force of the Lisbon Treaty, accorded a decidedly more significant role to the fundamental rights enshrined in Union law. As such, the Judgment was something of a breakthrough. In the domestic proceedings, an organisation representing producers and publishers of musical and audiovisual recordings sought an order requiring an internet service provider (ISP) to disclose the identities of a number of the service provider's customers suspected of committing copyright infringement. The national court asked whether the Union's legal framework required Member States to impose a legal obligation upon service providers to communicate customers' personal data in such circumstances in order to ensure the effective protection of copyright via civil proceedings. The reference involved the potential application of several Directives concerning remedies for intellectual property infringement and data privacy.[17] In the view of the Court, a national court considering such a situation was required to reconcile competing fundamental rights protected within the European legal order – namely the right to respect for private life on the one hand and the rights to protection of property and to an effective remedy on the other. These rights are both recognised as 'general principles' of Union law and are explicitly protected under the Charter of Fundamental Rights. According to the Court, the legislation does not *oblige* Member States to recognise a legal obligation upon ISPs to communicate personal data of suspected infringers. However, Union law requires that, when transposing the relevant Directives:

> ... the Member States take care to rely on an interpretation of them which allows a fair balance to be struck between the various fundamental rights protected by the Community legal order. Further, when implementing the measures transposing those directives, the authorities and courts of the Member States must not only interpret their national law in a manner

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[16] Case C-275/06 *Promusicae v Telefónica de España* [2008] EU:C:2008:54.

[17] Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the internal market; Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society; Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights; and Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector.

> consistent with those directives but also make sure that they do not rely on an interpretation of them which would be in conflict with those fundamental rights or with the other general principles of Community law, such as the principle of proportionality.[18]

Thus, in the absence of clear legislative rules, the fundamental rights established under the Charter serve to guide the development of national rules within the framework of Union law.

In 2009, not long after the Court's Judgment in *Promusicae*, the Lisbon Treaty came into force. Under this Treaty, the Charter has equivalent status to the founding EU Treaties[19] and the Court has an explicit obligation to ensure that all activities of Union institutions and Member States implementing Union law[20] are compatible with the rights protected under the Charter.[21] Unsurprisingly, given the enhanced role accorded to the Charter, the Court has begun to make much more frequent reference to the requirements of the Charter since 2009. This development has given it the tools and the confidence to hold that certain provisions of Union legislation are void because they contravene Charter rights.[22]

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[18] Case C-275/06 *Promusicae v Telefónica de España* [2008] EU:C:2008:54, para 70.

[19] Article 6(1), Treaty of the European Union.

[20] While Article 51(1) of the Charter states that the provisions of the Charter are addressed to Member States only when they are 'implementing Union law', this restriction has been held not to depart from the position adopted by the Court of Justice of the European Union (CJEU) before the coming into force of the Lisbon Treaty (i.e., that Member States are obliged to ensure compliance with EU fundamental rights both when implementing EU obligations and when acting within a derogation from such obligations). See Case C-617/10 *Åklagaren v Hans Åkerberg Fransson* [2013] EU:C:2013:105, 2 CMLR 46 (CJEU, Gd Chamber); Case C-390/12 *Proceedings brought by Pfleger* [2014] EU:C:2014:281, 3 CMLR 47; cf. Case C-106/13 *Fierro & Marmorale v Ronchi* [2013] EU:C:2013:357; Case C-14/13 *Cholakova* [2013] EU:C:2013:374.

[21] Article 52(3) of the Charter provides that 'In so far as this Charter contains rights which correspond to rights guaranteed by the Convention for the Protection of Human Rights and Fundamental Freedoms, the meaning and scope of those rights shall be the same as those laid down by the said Convention. This shall not prevent Union law providing more extensive protection.' Article 52(4) provides that 'In so far as this Charter recognises fundamental rights as they result from the constitutional traditions common to the Member States, those rights shall be interpreted in harmony with those traditions.'

[22] See, for example, Case C-236/09 *Association belge des Consommateurs Test-Achats ASBL* [2011] EU:C:2011:100; Case C-92/09 & 93/09 *Volker und Markus Schecke GbR* [2010] EU:C:2010:662; Case C-293/12 *Digital Rights Ireland Ltd v Minister for Communications, Marine & Natural Resources* [2014]

While the consequences in copyright law have not yet been particularly dramatic, the Court's analysis of the relevant secondary legislation has come increasingly to be conducted within a framework provided by the Charter. The idea of the 'fair balance' between competing rights traced in *Promusicae* has become progressively more prominent in this respect.

In identifying this 'fair balance', a number of fundamental rights have been identified as relevant. The most obvious of these is the right of property which, in addition to being protected under Article 1, Protocol 1 of the ECHR (as in *Laserdisken*)[23] and as a general principle of Union law (as in *Metronome Musik*), is enshrined in Article 17 of the Charter.[24] The application of the fundamental right of property to intellectual property rights, such as copyright, is confirmed by Art 17(2) of the Charter, which provides that: 'Intellectual property shall be protected.'[25]

The Court has explained that this Delphic statement serves simply to dispel any doubt whether intellectual property rights are covered by Art 17(1)'s general property guarantee, rather than to instigate some form of

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EU:C:2014:238; Case C-362/14 *Schrems v Data Protection Commissioner* [2015] EU:C:2015:650.

[23] The European Court of Human Rights has also acknowledged that right-holders in copyright works are protected by Article 1, Prot 1. See *Ashby-Donald v France* (36769/08) 10 January 2013; *Neij v Sweden* (40397/12) [2013] ECDR 7.

[24] For discussion of the right of property as it applies to intellectual property in the European legal order, see P Oliver and C Stothers, 'Intellectual property under the Charter: are the Court's scales properly calibrated?' (2017) Common Market Law Review (forthcoming).

For critique of the Court's application of the right to property in its copyright jurisprudence, see J Griffiths, 'Constitutionalising or harmonising? The Court of Justice, the right of property and European copyright law' (2013) European Law Review 65; T Mylly, 'The constitutionalisation of the European legal order: impact of human rights on intellectual property in the EU', in C Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing, 2015) 103; A Peukert, 'The fundamental right to (intellectual) property and the discretion of the legislature', in C Geiger (ed.), *Research Handbook*, ibid, 132; M Husovec, 'Intellectual property rights and integration by conflict: the past, present and future' (2016) Cambridge Yearbook of European Legal Studies 239.

[25] There were initial fears that Art 17(2) indicated that intellectual property was to be accorded relatively unqualified protection under the Charter. See, C Geiger, 'Intellectual property shall be protected!? Article 17(2) of the Charter of Fundamental Rights of the European Union: a mysterious provision with an unclear scope' (2009) EIPR 113; A Peukert, 'Intellectual property as an end in itself?' (2011) EIPR 67.

special super-protected status for intellectual property.[26] Post-Lisbon, in a series of cases in which the Court has interpreted provisions of the Directives in the area of copyright law, Art 17 has provided an important weight on right-holders' side of the 'fair balance'. An example is provided by (C-145/10) *Eva-Maria Painer v StandardVerlags GmbH,* concerning Art 5(3)(d) of the Information Society Directive, which permits Member States to maintain or to implement exceptions for the purpose of quotation. In *Painer*, the Court held that Art 5(3)(d) was intended to strike a fair balance between copyright users' rights of freedom of expression and 'the reproduction right conferred on authors'.[27] While the reproduction right is not explicitly described here as having fundamental status, the reference to the need to establish a 'fair balance' and the acknowledgement of equivalence between the reproduction right and the right of freedom of expression indicate that the Court views the interpretation of Art 5(3)(d) as a task to be carried out within a framework provided by the rights protected under the Charter and that the claimant's right to control the reproduction of a copyright work is one such right.

Since *Painer*, copyright's status as 'property' has been noted in several cases concerning the scope of the rights granted under the legislative *acquis*,[28] the exceptions to those rights[29] and the remedies available to right-holders against intermediaries.[30] In all such cases, Art 17 provides an interpretative steer in favour of the right-holder. The Charter's right of property has also played a potentially even more significant role in one

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[26] See, for example, Case C-70/10 *Scarlet Extended v SABAM* [2011] EU:C:2011:771 para 43; Case C-314/12 *UPC Telekabel v Constantin Film Verleih GmbH* [2014] EU:C:2014:192 para 61. For further discussion of Art 17(2), see P Torremans, 'Article 17(2)', in S Peers et al., *The EU Charter of Fundamental Rights: a Commentary* (Oxford: Hart Publishing, 2014).

[27] Case C-145/10 *Eva-Maria Painer v StandardVerlags GmbH* [2011] EU:C:2013:138, para 134.

[28] See, for example, Case C-160/15 *GS Media BV v Sanoma Media Netherlands BV* [2016] EU:C:2016:644 para 31.

[29] See, for example, Case C-201/13 *Deckmyn v Vandersteen* [2014] EU:C:2014:2132 para 27.

[30] See Case C-70/10 *Scarlet Extended v SABAM* [2011] EU:C:2011:771; Case C-360/10 *SABAM v Netlog NV* [2012] EU:C:2012:85; Case C-461/10 *Bonnier Audio AB v Perfect Communication Sweden AB* [2012] EU:C:2012:219; Case C-314/12 *UPC Telekabel v Constantin Film Verleih GmbH* [2014] EU:C:2014:192; Case C-484/14 *McFadden v Sony Music Entertainment Germany GmbH* [2016] EU:C:2016:689.

post-Lisbon Judgment. In (C-277/10) *Luksan v Van der Let*,[31] the Court held that a provision of Austrian law, which vested exploitation rights in a cinematographic work in the producer rather than the director of that work violated the fundamental guarantee of property in the EU's legal order. The Court held that the Information Society Directive implicitly required the principal director of a cinematographic work to be treated as an author of such a work and, accordingly, to benefit from exploitation rights. As a result, any national provision which did not vest exploitation rights in the director 'by operation of law, directly and originally' was inevitably in breach of the Directive.[32] This aspect of the Court's Judgment is based purely on an interpretation of the legislative *acquis*. However, having come to this conclusion, the Court went on to hold that failure to allocate the exploitation rights at issue to the principal director would not only breach the Directive but would also violate his or her fundamental right to property. The national rule at issue was not 'consistent with the requirements flowing from Article 17(2) of the Charter of Fundamental Rights guaranteeing the protection of intellectual property'.[33]

This finding is interesting because it effectively accords entrenched status to the Union's legislative rules on copyright, at least in so far as they concern the existence and vesting of rights. If a Member State departs from the attribution of rights established under the *acquis*, it will not only have acted incompatibly with secondary legislation, it will also necessarily have violated the Charter. In *Luksan*, the reference to Art 17 seems something of an afterthought. However, this principle is likely to enhance the arsenal of weapons available to right-holders in copyright litigation.[34] Furthermore, it has been argued that the effect of the Judgment may extend beyond the provisions of the *acquis* in which rights are allocated to authors and others. It has, for example, been suggested that an author's right to property may necessarily be violated whenever

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[31] Case C-277/10 *Luksan v Van der Let* [2012] EU:C:2012:65. This section of the chapter draws upon the description of the Court's Judgment in J Griffiths, 'Constitutionalising or harmonising? The Court of Justice, the right of property and European copyright law' (2013) European Law Review 65.

[32] In the words of the Court: 'Since the status of author has been accorded to the principal director of a cinematographic work, it would prove incompatible with the aim pursued by [the Information Society Directive] to accept that [the creator should] be denied the exploitation rights at issue.'

[33] Ibid., [70]–[71].

[34] The ability of domestic courts to enforce Directives directly is limited. See Case C-351/12 *OSA* [2014] EU:C:2014:110 paras 42–48.

the scope of an exception in national law is more expansively interpreted at national level than is permitted under EU law.[35]

However, as will have been apparent from the discussion of the concept of 'fair balance' above, the right of property is not the only fundamental right that will guide the Court of Justice in its interpretation of the copyright Directives. On the user's side of the balance, a substantial weight is provided by the right of freedom of expression and information under Art 11 of the Charter.[36] In *Laserdisken,* it will be recalled, the claimant challenged the validity of the Information Society Directive's mandatory rule of regional exhaustion on the ground of alleged incompatibility with the right of freedom of expression[37] and, in *Painer*, the Court confirmed that the quotation exception in EU law was underpinned by that right.[38] Subsequently, in a series of cases concerning the availability of remedies against intermediaries, the interests of the intermediaries' customers have been held to be covered by the right protected under Art 11 of the Charter.[39] The relevance of this right has also been confirmed by the Court in cases concerning the scope of the rights granted under the Directives adopted in the area of copyright law[40] and the application of the limitations and exceptions to those rights.[41]

In addition to the generally opposed rights of property and freedom of expression and information, the Court has acknowledged that other

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[35] For criticism of this potential consequence of the principle established in *Luksan*, see T Mylly, 'The constitutionalisation of the European legal order: impact of human rights on intellectual property in the EU', in C Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing, 2015) 103, 120–125.

[36] The use of a copyright work is also covered by the right of freedom of expression under the ECHR. See *Ashby-Donald v France* (36769/08) 10 January 2013; *Neij v Sweden* (40397/12) [2013] ECDR 7.

[37] Case C-479/04 *Laserdisken ApS v Kulturministeriet* [2006] EU:C:2006:549.

[38] Case C-145/10 *Eva-Maria Painer v StandardVerlags GmbH* [2011] EU:C:2011:798 para 135.

[39] See, for example, Case C-70/10 *Scarlet Extended v SABAM* [2011] ECR I-11959 [50]–[53]; Case C-360/10 *SABAM v Netlog NV* [2012] ECR 0000 [48]–[51]; Case C-314/12 *UPC Telekabel v Constantin Film Verleih GmbH* [2014] ECDR 12 [55]–[56]; Case C-484/14 *McFadden v Sony Music Entertainment Germany GmbH*, 15 September 2016 [90]–[101].

[40] See, for example, Case C-160/15 *GS Media BV v Sanoma Media Netherlands BV* [31]–[45].

[41] See, for example, Case C-201/13 *Deckmyn v Vandersteen* [2011] EU:C:2011:771, paras 25–27.

Charter rights might also be relevant to the interpretation of the secondary legislation on copyright law. Prominent amongst these have been Art 16, which codifies the right relied upon by the complainant in *Metronome Musik*. Thus, for example, a broadcasting organisation's freedom to conduct a business has been held to militate in favour of a generous interpretation of the exception permitting the making of ephemeral copies of copyright works under Art 5(2)(d) of the Information Society Directive[42] and, in the series of cases in which the Court has been required to consider the availability of remedies against intermediaries (such as disclosure, filtering and blocking orders), the intermediary's interest in avoiding the time and expense of implementing anti-infringement measures has been held to fall within the scope of Art 16.[43] Additionally, in the cases concerning intermediaries, customers' rights to respect for private and family life, home and communications under Art 7 of the Charter and rights to the protection of personal data under Art 8 have also been held to be relevant to the determination of an appropriate balance between competing rights.[44]

The rights outlined above have now come to play an established role in EU copyright discourse. However, in addition, the Court has sometimes highlighted the relevance of other rights protected under the Charter. Thus, for example, in (C-463/12) *Copydan Båndkopi*, it was held that provisions of Art 5 of the Information Society Directive must always be applied in a manner that respects the Charter's right of equal treatment under Art 20[45] and, in (C-201/13) *Deckmyn v Vandersteen*, the Court concluded that a national court must take into account the potentially discriminatory nature of a parody in determining whether the 'fair balance' of competing rights favours the right-holder or the parodist in a copyright dispute.[46] In *Deckmyn*, it was noted that the principle of non-discrimination is reflected both in EU secondary legislation[47] and in Art 21 of the Charter.

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[42] See Case C-510/10 *DR, TV2 Danmark AS v NCB – Nordisk Copyright Bureau* [2012], EU:C:2012:244 para 57.

[43] See, for example, Case C-70/10 *Scarlet Extended v SABAM* [2011] EU:C:2011:771 paras 46–49; Case C-314/12 *UPC Telekabel v Constantin Film Verleih GmbH* [2014] EU:C:2014:192 paras 47–51.

[44] Case C-70/10 *Scarlet Extended v SABAM* [2011] EU:C:2011:771 para 50.

[45] Case C-463/12 *Copydan Båndkopi v Nokia Danmark A/S* [2015] EU:C:2015:144. Note the impact of the application of this principle paras 30–41.

[46] Case C-201/13 *Deckmyn v Vandersteen*, 3 September [2014] EU:C:2014:2132 para 31.

[47] Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin.

Overall, it can be seen that the Charter has begun to play an increasingly prominent role in EU copyright jurisprudence. It has been relied upon to provide a framework of underlying principle for the interpretation of the *acquis*, particularly in areas only lightly regulated by legislation. As such, the Charter has supported the elaboration and extension of harmonised copyright rules at EU level.[48] At the same time, the shift towards a Charter-based theorisation of copyright law has thrown some established principles of copyright law into doubt. It is, for example, difficult to see how the strict approach to the interpretation of copyright exceptions endorsed in (C-5/08) *Infopaq International A/S v Danske Dagblades Forening*[49] can apply where a court (either at Union or national level) is obliged to identify a 'fair balance' between competing rights.[50] Indeed, it can be suggested that, if the constitutionalisation of copyright law is pursued to its logical conclusion, a number of other interesting consequences may follow.

Some of the potential effects of a Charter-based approach are considered in the following two sections of this chapter. The first outlines the possible impact of this interpretative methodology on the copyright exceptions in Union law and the second investigates the possibility that reliance on the Charter might oblige the Court to recognise additional rights, both economic and non-economic, for authors and others. This order of discussion – exceptions first, then rights – may appear counter-intuitive. However, the sections are set out in this way because, while the consequences in the area of copyright exceptions can be predicted to materialise with some confidence, those relating to the rights of authors remain more speculative.

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[48] For further detail of this argument, see J Griffiths, 'Constitutionalising or harmonising? The Court of Justice, the right of property and European copyright law' (2013) European Law Review 65.

[49] See Case C-5/08 *Infopaq International A/S v Danske Dagblades Forening* [2009] EU:C:2009:465, paras 56–58.

[50] For support of this position, see also J Schovsbo, 'Constitutional foundations and constitutionalization of IPR law' (2015) Zeitschrift für Geistiges Eigentum 383, 391.

2. POTENTIAL CONSEQUENCES OF THE CONSTITUTIONALISATION OF COPYRIGHT LAW – COPYRIGHT EXCEPTIONS

The brief review of the constitutionalisation process above has demonstrated that the rights protected under the Charter have already had some impact on the interpretation of the exceptions permitted under the *acquis*. However, a rights-focused approach may also have further structural impacts in this area. Some of these are discussed in this section, which is divided into two parts. The first considers whether reliance on the Charter necessarily means that a number of ostensibly optional copyright exceptions are, in fact, mandatory for Member States as a matter of EU law. The second asks whether a commitment to an interpretative methodology guided by fundamental rights will inevitably introduce a degree of flexibility into the apparently closed legislative framework for copyright exceptions in Union law.

2.1 Mandatory Exceptions and Limitations

Exceptions are a particular weakness from the perspective of the copyright harmonisation programme. A specific, fully harmonised regime of exceptions applies to software.[51] However, for works more generally, there are only a small number of mandatory exceptions at EU level.[52] In most cases, Member States may choose to adopt exceptions permitted under the *acquis* or not.[53] As a consequence, there is considerable

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[51] See Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs (codified version), Arts 5–6.

[52] See, for example, Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases, Art 6(1); Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, Art 5(1); Directive 2012/28/EU of the European Parliament and of the Council of 25 October 2012 on certain permitted uses of orphan works (Text with EEA relevance).

[53] See, for example, Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases, Art 2; Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, Art 5(2)–(4); Directive 2006/115/EC of the European Parliament and of the Council of 12 December 2006 on rental right and lending

diversity in national practice. Art 5 of the Information Society Directive, sets out a list of optional provisions for Member States. The application of several of these exceptions has now been reviewed by the Court, which has confirmed that, even though the adoption of these provisions is described as optional, they are all to be interpreted autonomously as a matter of EU law.[54] It has also been argued that it is a necessary inference from the Court's case-law on exceptions that, if a Member State chooses to adopt a particular exception under Art 5, it must take the exception in its entirety (and as interpreted by the Court).[55] As a consequence, it is suggested, more tightly restricted national exceptions cannot be carved out within the outer limits provided by the relevant provision of Art 5. This interpretation has clear harmonising potential because it puts the Court in a position to define both the upper and lower limits of all the permitted exceptions. However, it runs counter to the understanding of the effect of Art 5 prevailing at the time the Directive was adopted and implemented in Member States.

Nevertheless, despite these steps towards a more uniform set of rules on copyright exceptions in the Union, an obvious obstacle to the establishment of a fully harmonised regime remains. While the definition of each of the provisions in Art 5 may be a matter of EU law, Member States appear to retain the ability to select a particular provision, or not. Unless and until all Member States choose the same provisions from the list of options (and they have not done so to date), diversity will prevail. On the face of it, it is difficult to see what the Court can do to overcome this obstacle. However, the process of constitutionalisation described above may mitigate its effects to a considerable extent. In (C-201/13) *Deckmyn v Vandersteen*,[56] it was held that:

> ... [T]he application, in a particular case, of the exception for parody, within the meaning of Article 5(3)(k) of Directive 2001/29, must strike a fair balance between, on the one hand, the interests and rights of [right-holders] and, on the other, the freedom of expression of the user of a protected work who is relying on the exception for parody, within the meaning of Article 5(3)(k).[57]

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right and on certain rights relating to copyright in the field of intellectual property (codified version), Art 10.

[54] See, for example, Case C-510/10 *DR, TV2 Danmark AS v NCB – Nordisk Copyright Bureau* [2012] EU:C:2012:244, paras 34 and 36; Case C-201/13 *Deckmyn v Vandersteen* [2014] EU:C:2014:2132, paras 14 and 17.

[55] See, for example, E Rosati, 'Copyright in the EU: in search of (in)flexibilities' (2014) Journal of Intellectual Property Law & Practice, 585.

[56] Case C-201/13 *Deckmyn v Vandersteen* [2014] EU:C:2014:2132.

[57] Ibid., para 27.

Under this approach, in some instances, the 'fair balance' between competing rights will favour the user. Consider, for example, a situation in which a non-commercial user transforms a copyright work in a proportionate, non-discriminatory, non-substitutive manner in order to make a humorous political point about the transformed work itself. In such a case, there is a high chance (i) that the use of the work would be covered by the definition of 'parody' established in *Deckmyn* and (ii) that the 'fair balance' assessment would favour the parodist. Under the Court's rights-based analysis, the parodist's freedom of expression would prevail over the property interests of the right-holder in this instance.

If this is indeed the case, it must surely not only be the case that the use in question *may* be permitted under a national provision implementing Art 5(3)(k). It *must* necessarily be permitted. Any Member State considering the application of the *acquis*'s exclusive rights against a parodist in such a case would be acting within the scope of EU law. Accordingly, the Charter, including the right of freedom of expression and information protected under Art 11, would be relevant. Where that fair balance of rights favours the parodist, it ought not to be open to a Member State to argue that it does not have to shelter the parody from a claim of infringement because it has not chosen to implement a national provision under Art 5(3)(k). Effectively, in such circumstances, some form of exception for parody is mandatory.[58] The obligation to ensure freedom of expression under the Charter must prevail over the provisions of secondary law describing the exceptions under Art 5 as optional. This will be the case whatever the formal mechanism employed to provide flexibility for parodies in a particular Member State. Thus, for example, in Germany, some parodies are permitted under the 'free use' doctrine[59] and, in Italy, some parodies are accommodated within a flexible infringement test.[60] In Ireland, there is no obviously applicable exception for parody. Nevertheless, in all of those jurisdictions, just as much as in jurisdictions with parody exceptions that more or less resemble the text

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[58] This conclusion has been noted elsewhere. See, for example, European Copyright Society, 'Limitations and exceptions as key elements of the legal framework for copyright in the European Union – Opinion on the Judgment of the CJEU in Case C-201/13 *Deckmyn* <https://europeancopyrightsociety.org/how-the-ecs-works/ecs-opinions/> accessed 15 September 2017.

[59] See, for example, *Bild-Kunst v Focus* (I ZR 117/00) [2005] ECDR 8 (BGH).

[60] See G Ali, 'A Bay of Pigs crisis in Southern Europe? Fan-dubbing and parody in the Italian Peninsula' (2015) EIPR 756.

of Art 5(3)(k), uses in relation to which the 'fair balance' test favours freedom of expression *must* be permitted.

Parody provides a reasonably clear example of the way in which some of the apparently optional provisions under Art 5 are, in reality, mandatory if the logic of constitutionalisation is pursued to its necessary conclusion. However, it is not the only likely example of this process. Art 11, for example, may also cover some incidental uses of copyright works,[61] and some uses of works for the purposes of quotation[62] and/or press purposes.[63] Again, in some cases in which the application of these exceptions is at issue, the 'fair balance' of rights will favour the user. Again, it would seem that those uses *must* be permitted as a matter of EU law. Other rights under the Charter could also have a similar effect. It is not difficult, for example, to imagine circumstances in which equivalent arguments might be constructed about the application of exceptions which are designed to secure the right to scientific research,[64] the right not to be discriminated against,[65] the right to conduct a business[66] or the right to freedom of the arts.[67]

2.2 Flexibility in the List of Exceptions and Limitations

The discussion above indicates one probable 'structural' consequence of the recognition that certain uses of copyright works are supported by the fundamental rights of users. Primary Treaty obligations, such as those

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[61] Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, Art 5(3)(i).

[62] Ibid., 5(3)(d). It has been suggested that the exception for quotation is mandatory under the Berne Convention. See S Ricketson and J Ginsburg, *International Copyright and Neighbouring Rights – the Berne Convention and Beyond*, 2nd ed (OUP, 2005) 13.38.

[63] Ibid., Article 5(3)(c).

[64] Art 13. The District Court of Amsterdam has already relied upon the right of scientific research to extend the range of situations covered by exceptions in national law. See M Caspers, 'The role of Anne Frank's diary and academic freedom for text and data mining' (Kluwer Copyright Blog, 20 January 2016) <http://kluwercopyrightblog.com/2016/01/20/the-role-of-anne-franks-diary-and-academic-freedom-for-text-data-mining/> accessed 5 May 2018. For discussion, see also M Husovec, 'Intellectual property rights and integration by conflict: the past, present and future' (2016) Cambridge Yearbook of European Legal Studies 239, 259–261.

[65] Art 21.

[66] Art 16.

[67] Art 13.

deriving from the Charter, prevail over both the Union's secondary legislation and national implementing legislation. However, it is unlikely to be the only such consequence. The absence of an open-ended 'fair use' or 'flexible use' provision in Union copyright law has been a matter of considerable controversy.[68] It has been argued that the inclusion of a European equivalent of the 'fair use' clause in US copyright law would protect EU copyright law against the risk of redundancy and sclerosis in the face of technological and cultural change.[69] Others have countered that such a defence would be undesirably or impermissibly uncertain[70] or that the *acquis* already permits considerable flexibility as it stands and, therefore, that the introduction of a specific fair use-type clause may not be necessary.[71] However, the process of constitutionalisation described above may already have changed the terms of this debate.

Consider, for example, a situation in which the 'fair balance' of fundamental rights favours the free use of a copyright work while the use at issue is not obviously covered by an exception in national law. In such circumstances, a national court's first impulse is likely to be to rely on the Charter to interpret national law as permissively as possible.[72]

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[68] For discussion, see P Torremans, 'The perspective of the introduction of a European fair use clause', in T-E Synodinou, *Codification of European Copyright Law – Challenges and Perspectives* (Alphen aan den Rijn: Wolters Kluwer, 2012) 319; B Hugenholtz, 'Flexible copyright: can EU authors' right accommodate fair use?', in I Stamatoudi (ed.), *New Developments in International and EU Copyright Law* (Alphen aan den Rijn: Wolters Kluwer, 2016) 417.

[69] For this argument, see J Griffiths, 'Unsticking the centre-piece – the liberation of European copyright law' [2010] JIPITEC 1. See also The Wittem Group, 'European Copyright Code' (2011) EIPR 76, 81.

[70] For discussion of argument that the fair use doctrine may infringe international copyright law, see, for example, R Okediji, 'Toward an international fair use doctrine' (2000) 39 Columbia Journal of Transnational Law 75 (particularly 116–130); H Cohen Jehoram, 'Restrictions on copyright and their abuse' (2005) EIPR 359; R Burrell and A Coleman, *Copyright Exceptions: The Digital Impact* (Cambridge: Cambridge University Press, 2005); S Ricketson, 'The three-step test, deemed quantities, libraries and closed exceptions' (Centre for Copyright Studies, 2003) 147–154; T Newby, 'What's fair here is not fair everywhere: does the American fair use doctrine violate international copyright law?' (1999) Stanford L R 1633.

[71] See, for example, B Hugenholtz and M Senftleben, 'Fair use in Europe: in search of flexibilities', Institute for Information Law, University of Amsterdam, November 2011 <https://www.ivir.nl/publicaties/download/Fair%20Use%20Report%20PUB.pdf> accessed 15 October 2017.

[72] For discussion of an example of liberal interpretation by reference to constitutional standards, see E Adeney and C Antons, 'The *Germania 3* decision

However, in some instances, interpretative freedom may be limited. Consider, for example, a situation in which it is deemed necessary, in the interests of freedom of expression, to permit the publication of an extract from a copyright work even though the work has never been lawfully made available to the public. In such circumstances, there may well be difficulties in interpreting any of the permitted national exceptions *contra legem* as applicable to the use at issue. However, even if the interpretative ingenuity of a national judge is defeated in such a case, use protected under the Charter cannot be prohibited. The judge would be obliged to depart from the statutory scheme, presumably by relying directly on the Charter, in order to allow the use to take place.

Given that is the case, Art 5 cannot provide a conclusive inventory of all permitted uses. Through recognition of the precedence of Charter rights, a degree of flexibility has already therefore been introduced into the *acquis*. The Charter will not provide as wide a degree of judicial freedom to permit uses as is available under statutory fair use clauses. Nevertheless, it has considerable potential to 'open' the apparently closed *acquis* on exceptions.[73] Consider, for example, the use of copyright works for the purpose of text-mining. Such use may fall within an existing national exception covered by Art 5(3)(a), which allows the use of work for the purpose of 'scientific research' as long as the conditions set out in that provision are satisfied. However, such exceptions will not cover the use of copyright works for a commercial purpose. Imagine a situation in which a commercial organisation develops a programme of text-mining research that, while having huge potential benefit for human health, is hampered by right-holders' intransigence or insistence on excessive licence fees. In such a case, the 'non-consumptive' reproductions made by the research organisation lie far from the 'core' of an author's right to benefit from the exploitation of his or her work.

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translated: the quotation exception before the German Constitutional Court' (2013) EIPR 646.

[73] Conversely, it has been argued that constitutionalisation could, to some extent, result in a loss of flexibility as a result of a form of 'lock in' for policy outcomes supported by fundamental rights. For discussion, see T Mylly, 'The constitutionalisation of the European legal order: impact of human rights on intellectual property in the EU', in C Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing, 2015) 103, 127 *et seq.*; J Schovsbo, 'Constitutional foundations and constitutionalization of IPR law' (2015) Zeitschrift für Geistiges Eigentum 383, 390.

Accordingly, the 'fair balance' between the right-holder's property interest in its corpus of text and the right of scientific research and/or human health may well be regarded as favouring free use of the protected materials. In such circumstances, the need to ensure compliance with the Charter would appear to justify departure from the apparently exhaustively defined list of exceptions in Art 5.[74]

3. POTENTIAL CONSEQUENCES OF THE CONSTITUTIONALISATION OF COPYRIGHT – THE RIGHTS OF AUTHORS AND OTHERS

It can thus be seen that the process of constitutionalisation, which began haltingly and which has sometimes been applied to shore up orthodox exercises in legislative interpretation,[75] may have the capacity to produce fairly dramatic outcomes in copyright law. In the medium term, this process seems likely to contribute to the development of a more fully integrated set of rules on copyright exceptions. In the next section of this chapter, I consider whether the process might also an impact on the grant of rights, both economic and non-economic, in EU law.

The programme of harmonisation is more fully realised in the case of the rights of authors and others than it is in the case of exceptions. However, it is not yet complete. A number of gaps and inconsistencies remain.[76] Thus, for example, the right to authorise live performance of works remains a matter for national law[77] and, while a right of adaptation

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[74] This possibility has been noted by others. See M Husovec, 'Intellectual property rights and integration by conflict: the past, present and future' (2016) Cambridge Yearbook of European Legal Studies 239, 259–261; A Ohly, 'European fundamental rights and intellectual property' in A Ohly and J Pila, *The Europeanization of Intellectual Property Law* (Oxford: Oxford University Press, 2013) 145; A Peukert, 'The fundamental right to (intellectual) property and the discretion of the legislature' in C Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing, 2015) 132, 134–135.

[75] See, for example, Case C-277/10 *Luksan v Van der Let* [2012] EU:C:2012:65.

[76] For discussion, see M van Eechoud et al., *Harmonizing European Copyright Law – the Challenges of Better Lawmaking* (Alphen aan den Rijn: Wolters Kluwer, 2009).

[77] See Case C-283/10 *Circul Globus Bucuresti v Uniunea Compozitorilor si Muzicologilor din România* [2011] EU:C:2011:772.

is granted to certain specific categories of author,[78] EU law does not explicitly grant an adaptation right to the authors of works more generally. The moral rights of authors lie entirely outside the harmonisation programme. In this section, my purpose is to investigate whether the constitutionalisation process has the capacity to 'complete' some of these gaps; that is, to ask whether an author might be entitled to rely on the Charter in arguing that he or she should be permitted to control uses of works beyond the situations specified in the secondary legislation relating to copyright. This analysis focuses on two examples. The first is the potential impact of constitutionalisation on the adaptation right in Union law and the second is the more radical claim that the Charter requires the recognition of authors' moral rights at EU level.

3.1 A Claim to an Adaptation Right Relating to All Categories of Work?

As a matter of national law in all Member States, authors are entitled to control the adaptation of their works. However, as noted above, the Union's legislative *acquis* only grants an adaptation right to authors of certain specific categories of work. It can be argued that the right to control adaptations more generally is implicitly granted within other exclusive rights under the Information Society Directive, most obviously, the reproduction right.[79] However, it is by no means clear that this is the case. Can it be argued that the process of constitutionalisation inevitably means that authors of all forms of work have a right to control the adaptation of their works as a matter of EU law? Even though such a right exists in the national laws of all Member States, the recognition of this right in Union law would be likely to have significant impact. For example, if the right falls within the *acquis*, the Court of Justice, rather than national legislatures and/or courts, has authority to determine its scope. This is likely to affect the methodology for determining infringement in the Member States, where a high degree of diversity still prevails in relation to the appropriate approach to the analysis of infringement of copyright in altered form.

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[78] See Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases, Art 5(b); Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs (codified version), Article 4(1)(b).

[79] This could be argued to be a necessary implication from reference to the Court in Case C-201/13 *Deckmyn v Vandersteen* [2014] EU:C:2014:2132.

The question of whether or not constitutionalisation has this effect must be approached in two stages. First, it is necessary to determine whether or not the rights set out in the Charter are capable of forming a foundation for an author's claim to a general right of adaptation. That is, to ask whether the claim to resist adaptation of a copyright work without permission is potentially *covered* by a fundamental rights claim? Secondly, it is also necessary to establish whether or not this issue (i.e., the potential recognition of a general adaptation right) is one that lies within the scope of EU, as opposed to domestic, law. It was not necessary to consider this second question above in assessing the potential impact of constitutionalisation on copyright exceptions because any court considering the application of an exception to the rights granted under the copyright Directives would necessarily be implementing EU law. The cause of action at issue would clearly involve the enforcement of rights established under EU secondary legislation. However, in analysing the potential impact of the Charter on a claim to a right that is not explicitly granted under the *acquis*, the second question is much more pertinent.

At the first stage, the fundamental right with most obvious relevance to this situation is the right of property under Art 17 of the Charter. However, this right has important limitations which may prevent it from serving as a foundation for such a claim. The right of property in the European legal order (as a general principle of EU law, under Art 1, Prot 1 of the ECHR and under Art 17) is a right against unjustified interference with *existing* legally recognised property interests.[80] It cannot generally be relied upon in support of a claim to the recognition of forms of property which do not currently exist within a legal system.[81] On the face of it, this limitation presents a serious obstacle to the author's argument that Art 17 requires the recognition of a general adaptation right in European copyright law. If we envisage each of the rights granted to an author under the *acquis* as a distinct property entitlement (reproduction right, rental right, communication to the public right, etc.), any such claim would appear to be precluded.

However, this may not be the only way of looking at this issue. If we view the various entitlements granted to creators as aspects of single integrated right to control the use of a work rather than as distinct, self-standing rights, the argument based on Art 17 may be more plausible. Under this approach, the claim to a general Union-level

[80] See *Marckx v Belgium* (1979) 2 EHRR 330; *Fabris v France* (2013) EHRR 19.

[81] See, for example, *Klein v Austria* (2014) 59 EHRR 14.

adaptation right for authors can be conceived as a claim to a specific form of right or interest (the right to control adaptation) which supports the author's more general, undifferentiated interest in a creative work. As such, it may be possible to argue that the Union's legislative *acquis* grants authorship status and a set of legislative rights to the creators of works and that the recognition of a particular authorial entitlement (the right to control adaptation of a work, for example) does not involve legal recognition of a distinct, previously unrecognised form of property. This analytical framework may seem to be at odds with the traditional approach to copyrights interests adopted in Anglo-Saxon jurisdictions, where the rights of authors have traditionally been viewed as a series of separate legal entitlements rather than as specific instances of a more general 'author's right', but it is more in keeping with the theorisation of authors' rights in most Member States. Importantly, it is also an approach which would also appear to underlie the treatment of the concept of 'property' or 'possessions' in European fundamental rights law.[82]

Nevertheless, there is a further potential obstacle in the way of a claim that Art 17 supports the recognition of an adaptation right for authors in Union copyright law. The right of property under Art 17 and Art 1, Prot 1 is a right against *interference* with property and has rarely been held to impose a positive obligation of protection on a contracting state.[83] This is problematic, as a claim to a 'missing' right, such as the right to control adaptation, requires a court to accept that an author's legitimate entitlement had been interfered with through *non-recognition*. On the face of it, this would appear to be difficult. However, the Court's recent case-law has muddied the distinction between the obligation not to interfere with a property right and the obligation positively to protect property. Indeed, it seems likely that, under the Court's existing copyright jurisprudence, national courts have an obligation to act positively to protect authors against interferences committed by third parties. This is a reasonable inference from (C-275/06) *Promusicae* and subsequent cases concerning the obligation of internet intermediaries towards authors. Effectively, under the 'fair balance' approach laid down in those cases, national authorities must, at least in some circumstances, ensure the availability of some form of redress for third party interference with a work.

While not explicitly theorised in this way, *Promusicae* appears to rely on the principle that a right-holder is entitled to effective redress for

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[82] See, D J Harris et al., *Law of the European Convention on Human Rights*, 2nd ed (Oxford: Oxford University Press, 2014) 886.

[83] Ibid., 870–872.

violation of fundamental rights. This position is even more clearly apparent in the Court's recent trade mark Judgment in (C-580/13) *Coty Germany GmbH v Stadtparkasse Magdeburg*. In the national proceedings in *Coty*, the trade mark owner sought personal identification data concerning a potential infringer from a bank which had received the proceeds of the potential infringement. The national court was concerned that the making of a disclosure order, although potentially supported by the Enforcement Directive,[84] would conflict with rules on banking secrecy and with the customer's right to data privacy. Explicitly relying on *Promusicae*, the Court held that a Member State was required to reconcile competing rights, both under Union secondary law and under the Charter. In this instance, however, the trade mark owner's right to an effective remedy, as protected under Art 47 of the Charter was clearly recognised:

> The right to information which is intended to benefit the applicant in the context of proceedings concerning an infringement of his right to property thus seeks, in the field concerned, to apply and implement the fundamental right to an effective remedy guaranteed in Article 47 of the Charter, and thereby to ensure the effective exercise of the fundamental right to property, which includes the intellectual property right protected in Article 17(2) of the Charter … [T]he first of those fundamental rights is a necessary instrument for the purpose of protecting the second.[85]

In the Court's view, the 'fair balance' between competing rights in this situation precluded the application of a national rule that systematically favours the interest in banking secrecy by prohibiting the disclosure of personal data in all circumstances.[86]

Husovec has argued that, in relying on Arts 47 and 17(2) in *Coty*, the Court extended the scope of the principle established in *Promusicae* by finding that, in some situations at least, a Member State will be obliged to implement disclosure orders against suspected infringers of intellectual property rights.[87] He also notes more generally that *Coty* confirms a positive obligation upon Member States to protect intellectual property

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[84] Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, Art 8(3)(e).

[85] Case C-580/13 *Coty Germany GmbH v Stadtparkasse Magdeburg* [2015] EU:C:2015:485 para 29.

[86] Ibid., para 41.

[87] Cf *Promusicae*, in which the Court held that there was no *requirement* on a state to implement such a measure on the circumstances of that case.

rights and expresses concern about the potential expansionist consequences of this development. He argues that this recognition of positive obligations through the right of property is inconsistent with the structure of property guarantees enshrined in national constitutions and with the Court's own jurisprudence on the secondary legislation applicable to copyright.[88] Nevertheless, the Court's willingness to recognise a positive obligation to protect intellectual property deriving from the Charter in *Coty* offers potential support to the argument that Art 17 might provide the foundation for the recognition of 'missing' rights in the copyright *acquis*. Arguably, such a claim goes beyond *Coty*, which concerned *remedial* protection as opposed to the grant of a right to control a particular form of use of the protected form. However, given the absence of a clearly disciplined framework of principle in the Court's fundamental rights jurisprudence and the expansionist tendency in its copyright case-law, it does not seem impossible that the Court would be willing to take such a step.

At the beginning of this section, it was explained that there is also a second potential question to be answered if a successful claim to an adaptation right based on Art 17 is to be established. Does such a claim lie within the scope of EU law – as required under Art 51 if the Charter is to apply – or is the existence, or otherwise, of the adaptation right purely a question of domestic law?[89] In fact, it can be suggested that, if the first question is answered in the manner outlined above, the second presents no real obstacle. If the various rights of authors are conceived as separate, free-standing property rights, questions concerning the availability of the adaptation right seem likely to fall within the scope of national law. However, if an author's rights under the *acquis* are viewed as a composite group of entitlements giving rise to a positive obligation of protection (including protection against adaptation), a court recognising a general adaptation right for authors ought to be regarded as implementing EU law. Thus, if the first hurdle is cleared, the second hurdle must necessarily also be cleared.

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[88] See M Husovec, 'Intellectual property rights and integration by conflict: the past, present and future' (2016) Cambridge Yearbook of European Legal Studies 239. For support for the former criticism, see also C Sganga, 'EU copyright law between property and fundamental rights: a proposal to connect the dots', in R Caso and F Giovanella, *Balancing Copyright Law in the Digital Age* (Heidelberg: Springer, 2015).

[89] For further discussion of Art 51, see A Ward, 'Article 51' in S Peers et al., *The EU Charter of Fundamental Rights: a Commentary* (Oxford: Hart Publishing, 2014) 1413–1454.

The complex argument based on Art 17 could, of course, be by-passed if a court were simply willing to interpret the concept of 'reproduction' generously in favour of authors. Nevertheless, the Court has previously reinforced conclusions on the interpretation of Union secondary legislation by reference to the Charter[90] and the Art 17 argument outlined here might, at least, offer attractive support to a court considering the potential generalisation of the adaptation right in Union copyright law. The Charter might be used, at the very least, to bolster a claim to extend the scope of the existing rights granted to authors in Union law in this way. There is a fairly strong argument that the right is already implicit in the *acquis* and adaptation rights for authors are required under international treaty.[91] They are also explicitly recognised in the national law of Member States and, in the case of certain categories of work, in Union law.

3.2 A Claim to the Protection of Moral Rights?

Could arguments based upon the fundamental rights protected under the Charter have even more dramatic effects than those outlined above? Could constitutionalisation, for example, require the recognition of rights with a much weaker link to the existing secondary legislation, such as the moral rights granted to authors in national law? All Member States are obliged to provide such rights at a minimum level for creators and performers under international treaty, but national laws take widely divergent forms.[92] However, as is well known, moral rights are not harmonised within the Union. The legislative *acquis* contains clear statements that such rights lie entirely outside the scope of the Directives in the field of copyright.[93] Thus, on the face of it, questions relating to the entitlement of creators to the protection of the interests secured by

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[90] See Case C-277/10 *Luksan v Van der Let* [2012] EU:C:2012:65; Case C-510/10 *DR, TV2 Danmark AS v NCB – Nordisk Copyright Bureau* [2012] EU:C:2012:244.

[91] Berne Convention for the Protection of Literary and Artistic Works 1886 (Paris Act), Article 12.

[92] For discussion of moral rights in national laws, see E Adeney, *The Moral Rights of Authors and Performers* (Oxford: Oxford University Press, 2006); G Davies and K Garnett, *Moral Rights*, 2nd ed (London: Sweet & Maxwell, 2016).

[93] See, for example, Recital 19 of the Information Society directive. The fact that protection of moral rights lies outside the *acquis* was noted by Advocate General Cruz Villalón in his Opinion in Case C-201/13 *Deckmyn v Vandersteen* [2013] EU:C:2014:2132 [AG 28].

moral rights continue to be governed by national law.[94] On this basis, the argument that the Charter might support the recognition of such rights within Union law looks much less promising than that advanced in relation to the adaptation right above. However, let us apply the same two-stage structure of analysis outlined above to establish whether it is doomed to failure.

At the first stage, then, it is necessary to ask whether a claim to moral rights protection is supported by any of the rights granted under the Charter. There is little direct authority on this question. While the European Court of Human Rights has reviewed the application of the ECHR in copyright cases,[95] it has not yet had an opportunity to consider an application specifically focusing on creators' moral rights. Nevertheless, the Court's jurisprudence suggests that such rights are likely to be regarded as 'possessions' under the Convention.[96] The concept of property, or 'possessions' in fundamental rights law is not restricted to interests described as such in national law. Accordingly, an author's claim to have been deprived of those rights is likely to be 'covered' by a claim under Art 1, Prot 1 (and by a claim under Art 17). However, as noted above, a distinction must be drawn between a right against interference with an existing property right, as protected under the European legal order, and a claim to recognition of a previously unavailable form of property.

In considering the claim relating to the adaptation right, it has already been argued that it may be possible to theorise the collective entitlements of an author as a single broadly formulated form of property and individual rights to control specific activities (such as adaptation or communication to the public) as interests that Member States must recognise in pursuance of a positive obligation to protect the property in

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[94] Similar arguments to those set out here could be made for performers, who are entitled to certain moral rights under international law (WIPO Performances and Phonograms Treaty 1996, Art 5; WIPO Beijing Treaty on Audiovisual Performances 2012, Article 5). However, for simplicity's sake, discussion in the text is restricted to authors.

[95] See, for example, *Ashby Donald v France* 36769/08, 10 January 2103 (ECtHR, 5th section); *Neij v Sweden* [2013] ECDR 7.

[96] This issue has been discussed in J Drexl, 'Constitutional protection of authors' moral rights in the European Union – between privacy, property and the regulation of the economy' in KS Ziegler (ed.), *Human Rights and Private Law. Privacy as Autonomy,* Studies of the Oxford Institute of European and Comparative Law 5 (Oxford: Hart Publishing, 2007) 159. Although, cf. P Oliver and C Stothers, 'Intellectual property under the Charter: Are the Court's scales properly calibrated?' (2017) Common Market Law Review (forthcoming).

the work deriving from Art 17. It may be much harder to apply a similar logic to the non-economic interests of authors. As a matter of practice, the explicit legislative statements that moral rights fall outside the *acquis* seem likely to make it harder to argue convincingly that the non-economic interests secured by those rights must be recognised in order to protect the author's right(s) established in Union law. However, Art 17 may not be the only provision of the Charter upon which a claim to the recognition of moral rights could be founded. Other Charter rights do not share Art 17's key limitation, in that their application is not restricted to situations concerning interferences with interests already recognised in positive law. Could it, for example, be argued that the freedom of the arts, protected under Art 13 of the Charter, inherently requires the recognition of authors' moral rights?

One difficulty with such a claim is that the scope of protection offered by the freedom of the arts in EU law remains largely uncharted.[97] It has been suggested that this freedom may simply be a specifically enumerated aspect of the more general right of freedom of expression and information protected under Art 11.[98] If this is so, it may not prove a promising basis for the argument that the Charter requires the moral rights of authors and performers to be recognised in Union law. While a *defendant* in moral rights proceedings in a national court may well be able to rely on the right of freedom of expression, Art 11, ECHR (and thus Art 13 of the Charter) are less likely to apply to an author whose rights are *not* recognised within a legal system. As a matter of principle, the existence of moral rights may be supported by the right to freedom of expression because such rights are designed to protect the integrity of an author's speech.[99] However, the right of freedom of expression as it exists in the European legal order has not, as yet, been held to encompass a right *not* to speak in a particular manner. This difficulty of principle may not be insuperable because the Court has typically adopted a fairly liberal approach to the Charter in the Court's jurisprudence and it would not be surprising if it were to blur the theoretical distinction between the right to

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[97] For discussion, see D Sayers, 'Freedom of the Arts & Sciences' in S Peers et al., *The EU Charter of Fundamental Rights: a Commentary* (Oxford: Hart Publishing, 2014) 379–400.

[98] Ibid., 389.

[99] For discussion, see K Treiger-Bar-Am, 'The moral right of integrity: a freedom of expression' in F Macmillan (ed.), *New Directions in Copyright*, vol 2 (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing, 2005) 127; RR Kwall, *The Soul of Creativity: Forging a Moral Rights Law for the United States* (Stanford, CA: Stanford University Press, 2009).

express oneself and the right not to do so. Nevertheless, authors may find it more fruitful to look elsewhere in the Charter for a foundation on which to base a claim to recognition of moral rights in Union copyright law.

Moral rights protect authors' personal interests in copyright work. On that basis, the Charter rights supporting the interests in human dignity (Art 1) or in respect for private life and communications (Art 7) may be worthy of further exploration. Art 7 (equivalent to Art 8, ECHR), may be particularly promising in this respect. While the Strasbourg Court has not yet had the opportunity to consider a specific complaint relating to failure to provide adequate protection for a creator's personality rights in a creative work, its jurisprudence suggests that the interests at issue in such claims may well fall within the scope of Art 8, ECHR. In cases concerning national defamation proceedings, Art 8 has been held to cover reputational interests.[100] The European Court of Human Rights has also held that a person's interest in prohibiting the use of his or her name without consent is covered by Art 8.[101] Such interests are closely aligned with those protected under national moral rights laws and, on this basis, it seems reasonably likely that an author's personality interests in his or her work would fall within Art 8, ECHR (and thus Art 7 of the Charter). On this basis therefore, at the first stage of analysis, this provision may well provide a potential foundation for a claim to the recognition of such interests in Union law.

How would such an argument fare at the second stage of analysis applied in this chapter? Would it be regarded as falling within the scope of EU law? On the face of it, this second hurdle would appear difficult to surmount. Consider, for example, a hypothetical situation in which an author believes that his or her moral rights are inadequately protected by the laws of a particular Member State.[102] Could he or she argue that the Member State is obliged, as a matter of EU law, to furnish a higher level of protection in order to satisfy the requirements of Art 7? At first sight, this looks unlikely. Again, against the background of a series of explicit legislative statements that moral rights are not covered by the relevant

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[100] See, for example, *Pfeifer v Austria* (2007) 48 EHRR 175.

[101] See, for example, *Ernst August von Hannover v Germany* 53649/09, 19 February 2015; *Bohlen v Germany* 53495/09, 19 February 2015. On the right to a name, see also *Burghartz v Switzerland* (1994) 18 EHRR 101; Case C-208/09 *Sayn-Wittgenstein v Landeshauptmann von Wien* [2010] EU:C:2010:806.

[102] The moral rights provisions of both the United Kingdom and Ireland have significant weaknesses from an author's perspective.

Directives, it is difficult to see how a court considering such a challenge could be regarded as 'implementing EU law'.

Nevertheless, even though such a direct rights-based claim seems unlikely, it is possible that specific issues relating to the application of moral rights law in Member States might fall within the scope of EU law and, therefore, that the Charter may have a bearing in those proceedings. It is a long-established principle of Union law that the application of national rules derogating from the freedom of movement of goods and services falls under the scrutiny of the Court and, therefore, that the framework of fundamental rights is relevant in any assessment of the justification of such rules.[103] As a consequence, the rights protected under the Charter may at least have some relevance in cases concerning the application of moral rights.

Consider a situation in which the circulation of published copies of a copyright work is impeded through the differential application of moral rights protection in Member States. What if, for example, the exercise of the moral right of retraction in France were to have an impact on the movement of works published and distributed freely elsewhere in the Union?[104] Alternatively, what if a claim based upon the moral right of integrity were to be relied upon by an author's successors in order to restrict the distribution of copies of a work in which the copyright has long expired and which, as a result, are freely available in other Member States.[105] In such situations, the application of national moral rights law would potentially create an impediment to the free movement of goods. In considering the justifiability of such restriction, a court applying EU law would be obliged to consider not only the application of the Union's market freedoms but also to arrive at a fair balance between competing rights protected under the Charter – on the one hand, the rights of the author (or of his or her representatives) under Arts 7 or 13 and, on the other hand, the right to freedom of expression and/or the right to conduct a business of the undertaking seeking to exploit the work.

The absorption of such issues into Union law would not have the same direct, harmonising potential as the recognition of 'missing' economic rights. A dispute relating to the application of national moral rights law in

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[103] See Case C-390/12 *Proceedings brought by Pfleger* [2014] EU:C:2014:281, 3 CMLR 47 paras 30–37.

[104] For discussion of the moral right of retraction in French law, see G Davies and K Garnett, *Moral Rights*, 2nd ed (London: Sweet & Maxwell, 2016).

[105] See *Hugo c. Société Plon,* arrêt no 125 du 30 janvier 2007 (Cass. Civ. 1ère).

circumstances such as those outlined above might, at most, result in the trimming back of the national right and thus lead to an incremental form of downward harmonisation of national moral rights laws. It could not produce the type of gap-filling effects potentially observed in the case of the adaptation right. However, even such a modest impact or, indeed, simply a finding that a national moral rights claim can be justified by reference to the Charter in a particular case could conceivably send a signal to the Union legislature – indicating that the enforcement of moral rights at national level is capable of disrupting the internal market and inviting a legislative response. Such a response would, of course, have to be guided by the values established under the Charter.

CONCLUSION

My aim here has been to outline the process of constitutionalisation in European Union copyright law to date and to consider some of its previously unremarked potential consequences. There is scope for more detailed examination of specific aspects of this process.[106] Constitutionalisation has been welcomed by some scholars[107] or, at least, has been considered an inevitable consequence of the Union's constitutional arrangements.[108] Others have been more critical of the Court's

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[106] See, for example, C Angelopoulos, 'Tracing the outline of a ghost: the fair balance between copyright and fundamental rights in intermediary liability' (2015–2016) *Info – the Journal of Policy, Regulation and Strategy for Telecommunications, Information and Media*, 72.

[107] See, for example, C Geiger, '"Constitutionalising" intellectual property law? The influence of fundamental rights on intellectual property in the European Union' [2006] IIC 371; A Ohly, 'European fundamental rights and intellectual property', in A Ohly and J Pila, *The Europeanization of Intellectual Property Law* (Oxford: Oxford University Press, 2013) 145; C Geiger, 'Fundamental rights as common principles of intellectual property enforcement' in A Ohly (ed.) *Common Principles of European Intellectual Property Law* (Tübingen: Mohr Sieback, 2012) 223; C Geiger, 'Reconceptualising the constitutional dimension of intellectual property', in P Torremans (ed.), *Intellectual Property and Human Rights*, 3rd ed (Alphen aan den Rijn: Kluwer Law International, 2015) 115.

[108] See, for example, C Angelopoulos, 'Tracing the outline of a ghost: the fair balance between copyright and fundamental rights in intermediary liability' (2015–2016) *Info – the Journal of Policy, Regulation and Strategy for Telecommunications, Information and Media*, 72.

application of fundamental rights law in the copyright context.[109] However, whatever the perspective taken, it is reasonably clear that a strong commitment to the development of copyright law in accordance with the Charter is likely to have significant effects on Union copyright law in future. Overall, the enhanced status of the Charter shifts the balance of power from legislature to judiciary at both Union and national level. The force of rules deriving from secondary legislation fades by comparison with the more flexible, but potentially also more powerful, requirements of the Charter.

This shift places copyright law on principled constitutional foundations and brings certain pragmatic benefits. In recent years, the legislative reform of copyright law has become difficult because it takes place in such a hotly contested policy environment. The process of constitutionalisation provides courts with powerful tools to develop the law in the absence of precise legislative instruction. Indeed, where necessary, it permits divergence from legislative provisions no longer considered appropriate. Nevertheless, courts applying Union law, and particularly the Court of Justice, must ensure that the potent tools with which they have been furnished are wielded carefully and consistently.[110] The process of constitutionalisation must not serve as a smoke-screen for policy-based or pragmatic decision-making and must not result in outcomes that offend the fundamental principle of legality, itself a cornerstone of the European legal order.

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[109] See, for example, J Griffiths, 'Constitutionalising or harmonising? The Court of Justice, the right of property and European copyright law' (2013) European Law Review 65; T Mylly, 'The constitutionalisation of the European legal order: impact of human rights on intellectual property in the EU', in C Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing, 2015) 103; A Peukert, 'The fundamental right to (intellectual) property and the discretion of the legislature', in C Geiger (ed.), *Research Handbook*, ibid., 132; C Sganga, 'EU copyright law between property and fundamental rights: a proposal to connect the dots' in R Caso and F Giovanella, *Balancing Copyright Law in the Digital Age* (Heidelberg: Springer, 2015); M Husovec, 'Intellectual property rights and integration by conflict: the past, present and future' (2016) Cambridge Yearbook of European Legal Studies 239.

[110] See also, P Oliver and C Stothers, 'Intellectual property under the Charter: are the Court's scales properly calibrated?' (2017) Common Market Law Review 517.

5. Intellectual property law made by the Court of Justice of the European Union

Vincent Cassiers and Alain Strowel

INTRODUCTION

Intellectual property law has been affected by EU law for more than half a century. But most changes have come over the last 25 years with the adoption, mainly in the years 1990 and 2000, of an impressive number of regulations and directives in the various fields of intellectual property law: trademarks, patents, copyright, supplementary protection certificates, designs, plant varieties, geographical indications and designations of origin, enforcement, and so on.

With the decision in the *Grundig–Consten*[1] case and its subsequent case law relying on the provisions of the Treaty of Rome, the Court of Justice of the European Union (CJEU) has developed the doctrine of exhaustion and has defined the specific subject-matter of most intellectual property (IP) rights. After the rise of secondary EU law on intellectual property, the CJEU took advantage of the new legislation to ensure deeper harmonization and further integration of European intellectual property law.

[1] CJEU, 13 July 1966, *Grundig–Consten*, C-56/64 and C-58/64, ECLI:EU:C:1966:41.

1. FROM THE INTERPRETATION TO THE CREATION OF EU IP LAW

1.1 The Formal Role of the CJEU

Pursuant to Article 19 of the Treaty on the European Union and to Article 267 of the Treaty on the Functioning of the European Union (TFEU)[2], one of the essential functions of the CJEU is to interpret primary and secondary EU law. In this respect, Article 267 TFEU provides that 'The Court of Justice of the European Union shall have jurisdiction to give preliminary rulings concerning: (a) the interpretation of the Treaties; (b) the validity and interpretation of acts of the institutions, bodies, offices or agencies of the Union …'

Although its role remains more discrete than that of the Commission, the Parliament or the Council, the CJEU, by providing a uniform interpretation and application of EU law in the whole Union, significantly contributes to the functioning of the internal market and to the achievement of European integration and harmonization.

1.2 General Principles of EU Law

Since its very first cases, the CJEU has not limited itself to a passive role. By interpreting primary and secondary EU law, the CJEU creates additional EU law. It is known that the CJEU has built important principles of EU law. In the case *Van Gend and Loos*[3] (1963), the CJEU established the principle of direct effect of EU law. In the case *Costa*[4] (1964), the CJEU decided that EU law enjoys primacy over national laws. In the case *Cassis de Dijon*[5] (1979), the CJEU imposed the mutual recognition of marketing approvals between the Member States.

The most visible role of the CJEU in the creation of EU law consists in the 'general principles of EU Law' that have all been 'created' or

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[2] Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union – Consolidated version of the Treaty on European Union – Protocols – Declarations annexed to the Final Act of the Intergovernmental Conference which adopted the Treaty of Lisbon, signed on 13 December 2007 – Tables of equivalences [2012] OJ C326/1-390.

[3] CJEU, 5 February 1963, *Van Gend en Loos*, C-26/62, ECLI:EU:C:1963:1.

[4] CJEU, 15 July 1964, *Flaminio Costa v E.N.E.L.* C-6/64, ECLI:EU:C:1964:66.

[5] CJEU, 20 February 1979, *Cassis de Dijon*, C-120/78, ECLI:EU:C:1979:42.

'discovered' by the CJEU itself. These general principles led the CJEU to identify numerous 'autonomous concepts of EU law', that is, concepts that must have the same meaning in all Member States in order to ensure a uniform interpretation and application of EU law.

1.3 Autonomous Concepts of EU Law

The autonomous concepts of EU law are found by the CJEU in primary and secondary law.[6] Nowadays, the CJEU tends to uncover many autonomous concepts of EU law in the field of IP. The CJEU even discovered autonomous concepts of EU law in some optional provisions of the Directive 2001/29/EC[7] in the field of copyright. The *Padawan* and the *Deckmyn* cases illustrate how the CJEU has identified autonomous concepts (here the concepts of 'fair remuneration' and 'parody') in optional provisions of EU law.

In *Padawan*, the CJEU decided that

> the need for a uniform application of European Union law and the principle of equality require that the terms of a provision of European Union law which makes no express reference to the law of the Member States for the purpose of determining its meaning and scope must normally be given an independent and uniform interpretation throughout the European Union; that interpretation must take into account the context of the provision and the objective of the relevant legislation … It is clear from that case-law that the concept of 'fair compensation' which appears in a provision of a directive which does not contain any reference to national laws must be regarded as an autonomous concept of European Union law and interpreted uniformly throughout the European Union.[8]

In *Deckmyn*, the Court decided that

> the concept of 'parody', which appears in a provision of a directive that does not contain any reference to national laws, must be regarded as an autonomous concept of EU law and interpreted uniformly throughout the European Union. That interpretation is not invalidated by the optional nature of the

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[6] CJEU, 18 January 1984, *Ekro*, C-387/82, ECLI:EU:C:1984:11, §11; CJEU, 19 September 2010, *Linster*, C-287/98, ECLI:EU:C:2000:46, §43; CJEU, 9 November 2000, *Yiadom*, C-357/98, ECLI:EU:C:2000:604, §26.

[7] Directive 2001/29/EC of the European Parliament and of the Council on the harmonization of certain aspects of copyright and related rights in the information society (Infosoc Directive) [2001] OJ L167/10.

[8] CJEU, 21 October 2010, *Padawan*, C-467/08, ECLI:EU:C:2010:620, §32 and §33; CJEU, 6 February 2003, *SENA*, C-245/00, ECLI:EU:C:2003:68, §24.

> exception mentioned in Article 5.3, k) of directive 2001/29. An interpretation according to which Member States that have introduced that exception are free to determine the limits in an unharmonized manner, which may vary from one Member State to another, would be incompatible with the objective of that directive.[9]

The reasoning of the Court seems to be that a provision of European Union law which makes no express reference to the law of the Member States for the purpose of determining its meaning and scope would be deprived of practical effect if it was not considered as an autonomous concept of European Union law because the harmonization objective of the directive would not be achieved.

The underlying principle of this reasoning is the general principle of effectiveness (*effet utile*) of European Union law and this general principle of effectiveness has been established by the Court itself. The CJEU uses a principle from its own case law to create new components of European Union IP law under the label of 'autonomous concept of European Union law'.

1.4 The CJEU as a Co-Legislator

The CJEU endorses here the role of a legislator or, more precisely, of an assistant legislator as it completes the unachieved work of the European legislator by interpreting primary and secondary EU law. The reason why some notions are not defined in EU law is often that Member States were not able to reach a political compromise on their exact meaning.

In other cases, the EU legislative bodies, including the Commission when it proposes draft legislation, might on purpose decide not to go into all the details of a given provision (so as to avoid discussions and political compromises). In those cases, the provision of a directive commonly relies on a general wording that is open for interpretation by the courts. Such approach shifts the delicate issues to the national courts and the CJEU. By interpreting openly drafted provisions and considering some notions as autonomous concepts of EU law, the CJEU completes the work of the EU legislator.

Important norms of EU intellectual property law are thus judge-made law.

The exhaustion rule is one of these central norms. The need for a balance between the principle of free movement of goods and services

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[9] CJEU, 3 September 2014, *Deckmyn*, C-201/13, ECLI:EU:C:2014:2132, §14 and §15.

and the protection of intellectual property rights arise from the provisions of the Treaty: Article 34 and 35 TFEU prohibit any measure, including any law, which might impede the free movement of goods. Intellectual property laws can impede the free movement of goods but may be exempted from the prohibition under Article 36 – if they are justified only insofar as such laws do not 'constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States'.

In the words of the Court:

> the effect of the provisions of the Treaty on the free movement of goods and in particular of Article 34 [TFEU], is to prohibit between Member States quantitative restrictions on imports and all measures having equivalent effect. However, according to Article 36 [TFEU] that provision does not preclude prohibitions or restrictions on imports justified on grounds of the protection of industrial and commercial property. Nevertheless it is clear from that article, in particular the second sentence, as well as from the context, that whilst the Treaty does not affect the existence of rights recognized by the legislation of a Member State in matters of industrial and commercial property, yet the exercise of those rights may none the less, depending on the circumstances, be restricted by the prohibitions of the Treaty. Inasmuch as it provides an exception to one of the fundamental principles of the common market, Article 36 in fact admits exceptions to the free movement of goods only to the extent to which such exceptions are justified for the purpose of safeguarding rights which constitute the specific subject-matter of that property. The exclusive right guaranteed by the legislation on industrial and commercial property is exhausted when a product has been lawfully distributed on the market in another Member State by the actual proprietor of the right or with his consent.[10]

To reach the right balance, the CJEU has put forward the concept of 'specific subject-matter' of the intellectual property right and gave content to this concept for most intellectual property rights.[11]

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[10] CJEU, 22 January 1981, *Dansk Supermarked*, C-58/80, ECLI:EU:C:1981:17, §11. See: CJEU, 3 July 2012, *Usedsoft*, C-128/11, ECLI:EU:C:2012:407, §62; CJEU, 28 April 1998, *Metronome Musik*, C-200/96, ECLI:EU:C:1998:172, §14; CJEU, 22 September 1988, *FDV*, C-61/97, ECLI:EU:C:1998:422, §13; CJEU, 4 October 2011, *Football Association Premier League*, C-403/08 and C-429/08, ECLI:EU:C:2011:631, §106; CJEU, 12 October 1999, *Pharmacia & Upjohn*, C-379/97, ECLI:EU:C:1999:494, §14; CJEU, 23 May 1978, *Hoffmann – La Roche v Centrafarm*, C-102/77, ECLI:EU:C:1978:108, §6; CJEU, 11 July 1996, *Bristol-Myers Squibb*, C-427/93, ECLI:EU:C:1996:282, §42.

[11] The specific subject-matter has been defined for patent (CJEU, 31 October 1974, *Centrafarm c. Sterling Drug*, C-15/74, ECLI:EU:C:1974:114;

In a case involving copyright, the CJEU pointed out more generally that

> it is clear from settled case-law that the specific subject-matter of the intellectual property is intended in particular to ensure for the right holders concerned protection of the right to exploit commercially the marketing or the making available of the protected subject-matter, by the grant of licenses in return for payment of remuneration. However, the specific subject-matter of the intellectual property does not guarantee the right holders concerned the opportunity to demand the highest possible remuneration. Consistently with its specific subject-matter, they are ensured … only appropriate remuneration for each use of the protected subject-matter. In order to be appropriate, such remuneration must be reasonable in relation to the economic value of the service provided. In particular, it must be reasonable in relation to the actual or potential number of persons who enjoy or wish to enjoy the service.[12]

The ambitious project of balancing the protection of IP rights and the free movement of goods and of defining the specific subject-matter of each intellectual property right took the CJEU many decades. This case law started with the *Grundig–Consten* case.[13] The early case law[14] also included the leading case *Deutsche Grammophon*.[15] The case law of the

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C.J.C.E, 31 octobre 1974, *Centrafarm c. Winthrop*, C-16/74, ECLI:EU:C:1974:115), trademark (CJEU, 22 June 1976, *Terrapin*, C-119/75, ECLI:EU:C:1976:94; CJEU, 23 May 1978, *Hoffmann – La Roche v Centrafarm*, C-102/77, ECLI:EU:C:1978:108; CJEU, 10 October 1978, *Centrafarm c. American Home Products Corporation*, C-3/78, ECLI:EU:C:1978:174; CJEU, 23 April 2002, *Boehringer Ingelheim KG et al.*, C-143/00, ECLI:EU:C:2002:246; CJEU, 17 October 1990, *SA SNL Sucal c. Hag GF AG*, C-10/89, ECLI:EU:C:1990:359; CJEU, 30 November 2004, *Peak Holding*, C-16/03, ECLI:EU:C:2004:759; CJEU, 14 July 2011, *Viking Gas A/S c. Kosan Gas A/S*, C-46/10, ECLI:EU:C:2011:485) and copyright (CJEU, 20 October 1993, *Phil Collins c. Imtrat et al.*, C-92/92 and C-326/92, ECLI:EU:C:1993:847, §20; CJEU, 20 January 1981, *Musik-Vertrieb membran et K-tel International*, C-55/80 and C-57/80, ECLI:EU:C:1981:10; CJEU, 9 February 2012, *Martin Luksan*, C-277/10, ECLI:EU:C:2012:65).

[12] CJEU, 4 October 2011, *Football Association Premier League*, C-403/08 and C-429/08, ECLI:EU:C:2011:631, §107-§109.

[13] CJEU, 13 July 1966, *Grundig–Consten*, C-56/64 and C-58/64, ECLI:EU:C:1966:41.

[14] CJEU, 29 February 1968, *Parke Davis*, C-24/67, ECLI:EU:C:1968:11; CJEU, 18 February 1971, *Sirena*, C-40/70, ECLI:EU:C:1971:18.

[15] CJEU, 8 June 1971, *Deutsche Grammophon*, C-78/70, ECLI:EU:C:1971:59.

CJEU has clarified the consequences of the application of the principle of exhaustion to different situations.[16]

In *Consten and Grundig*,[17] a German electronic device manufacturer 'Grundig' allowed its sole distributor in France 'Consten' to use the name and emblem of Grundig as well as to register in its own trademark, 'GINT' (which stands for Grundig International). Later, another French company bought Grundig products from German traders in violation of Grundig's export prohibition policy and resold them to French retailers at more favorable prices than those of Consten. Consten brought two actions against this parallel importer – one for unfair competition and the other for the infringement of the GINT trademark – and prevailed at first instance. Meanwhile, the alleged infringer took this matter to the European Commission claiming that the sole distributorship contract between Grundig and Consten had violated Article 101 TFEU.

The European Commission decided that (i) the agreement on the registration and use of the GINT trademark constitutes an infringement of Article 101 TFEU; and that (ii) Grundig and Consten 'are required to refrain from any measure likely to obstruct or impede the acquisition by third parties, in the exercise of their free choice, from wholesalers or retailers established in the European Economic Community, of the products ... with a view to their resale in the contract territory'.[18] On appeal, Grundig and Consten argued inter alia that the Commission's decision infringed Article 345 TFEU because the guarantee of property

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[16] CJEU, 3 July 1974, *Hag*, C-192/73, ECLI:EU:C:1974:72; CJEU, 31 October 1974, *Centrafarm c. Sterling Drug*, C-15/74, ECLI:EU:C:1974:114; C.J.C.E, 31 octobre 1974, *Centrafarm c. Winthrop*, C-16/74, ECLI:EU:C:1974:115; CJEU, 22 June 1976, *Terrapin*, C-119/75, ECLI:EU:C:1976:94; CJEU, 20 January 1981, *Musik-Vertrieb membran et K-tel International*, C-55/80 and C-57/80, ECLI:EU:C:1981:10; CJEU, 14 July 1981, *Merck c. Stephar*, C-187/80, ECLI:EU:C:1981:180; CJEU, 9 July 1985, *Pharmon c. Hoechst*, C-19/84, ECLI:EU:C:1985:304; CJEU, 17 May 1988, *Warner Brothers Inc.*, C-158/86, ECLI:EU:C:1988:242; CJEU, 17 October 1990, *SA SNL Sucal c. Hag GF AG*, C-10/89, ECLI:EU:C:1990:359; CJEU, 22 June 1994, *IHT c. Ideal Standard*, C-9/93, ECLI:EU:C:1994:261; CJEU, 5 December 1996, *Merck et al. c. Primecrown et al.*, C-267/95 and C-268/95, ECLI:EU:C:1996:468; CJEU, 16 July 1998, *Silhouette c. Hartlauer*, C-355/96, ECLI:EU:C:1998:374; CJEU, 20 November 2001, *Davidoff et al.*, C-414/99, C-415/99 and C-416/99, ECLI:EU:C:2001:617; CJEU, 8 April 2003, *Van Doren*, C-244/00, ECLI:EU:C:2003:204; CJEU, 23 October 2003, *Rioglass*, C-115/02, ECLI:EU:C:2003:587; CJEU, 30 November 2004, *Peak Holding*, C-16/03, ECLI:EU:C:2004:759.

[17] CJEU, 13 July 1966, *Grundig–Consten*, C-56/64 and C-58/64, ECLI:EU:C:1966:41.

[18] Id., §304.

laid down in this provision extended to trademark rights as is confirmed by Article 36 TFEU. In this respect, they argued that the Commission exceeded the limit of its competence by interfering with a domain reserved to national authorities.

The CJEU found that those Treaty provisions do 'not exclude any influence whatever of Community law on the exercise of national industrial property rights'.[19] According to the CJEU, Article 36 TFEU, which allows for limitation to the freedom of goods, cannot limit the field of application of Article 101 TFEU. The injunction contained in the Commission's decision to refrain from using rights under national trademark law in order to set an obstacle in the way of parallel imports 'does not affect the grant of those rights but only limits their exercise to the extent necessary to give effect to the prohibition' under Article 101.1 TFEU. It found that 'the power of the Commission to issue such an injunction is in harmony with the nature of the Community rules on competition'.[20]

The CJEU maintained a consistent view with respect to patents in *Parke, Davies v Probel and Centrafarm.*[21] The claimant was the holder of Dutch patents for certain medical preparation processes, and the defendants had resold the claimant's products without its consent. One of the defendants argued that the claimant was breaching Articles 101 and 102 TFEU in that it was using its Dutch patents to prevent the import of the medicinal products into Italy, where the medicines and processes for their preparation were not patentable.

The CJEU analyzed whether the claimant's conduct violated Articles 101 and 102 TFEU. With respect to Article 101 TFEU, the CJEU found that, although a patent, 'as the expression of a legal status granted by a State to products meeting certain criteria', of itself exhibits none of the elements required by Article 101.1 TFEU, 'the use of one or more patents, in concert between undertakings', may be considered as an agreement prohibited by Article 101.1 TFEU.[22] With respect to Article 102 TFEU, the CJEU noted that, although a patent confers on its holder a special protection at national level, it could only infringe Article 102 TFEU 'if the use of the patents were to degenerate into an abuse of the abovementioned protection'.[23]

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[19] Id., §345.

[20] Id., §345–346.

[21] CJEU, 29 February 1968, *Parke Davis*, C-24/67, ECLI:EU:C:1968:11, §55.

[22] Id., §71–72.

[23] Id., §72.

In sum, the CJEU confirmed that (i) the existence of the national patent rights is not affected by the prohibitions contained in Articles 101(1) and 102 TFEU; and (ii) in the absence of any agreement, decision or concerted practice prohibited by Article 101(1), the exercise of such rights cannot of itself fall under Article 101(1) TFEU; and (iii) in the absence of any abuse of a dominant position, the exercise of such rights cannot of itself fall under Article 102 TFEU.

1.5 The Three Phases of the CJEU's Intervention in Copyright Cases

The impact of the Rome Treaty, which formed the essential part of general EU law in the early days, was significant until the end of the 1980s (first phase). As shown above, the very first IP cases concerned the impact of competition rules.[24] This is in part due to the fact that the provisions on freedom of goods did not come into effect before 1968. From the 1970s to the end of the 1980s, there were mainly two groups of cases on primary EU law: that is, free movement of goods (exhaustion) and free competition cases.

In the field of copyright, cases concerning exhaustion include *Deutsche Grammophon*,[25] *Coditel*,[26] *Coditel II*,[27] *Musik Vertrieb*,[28] *Polydor*,[29] *Warner Brothers*,[30] and *EMI Electrola*.[31] Cases concerning free competition, namely, the ex-Articles 85 and 86 of the Rome Treaty, now

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[24] See the cases already discussed above: CJEU, 13 July 1966, *Grundig–Consten*, C-56/64 and C-58/64, ECLI:EU:C:1966:41; CJEU, 29 February 1968, *Parke Davis*, C-24/67, ECLI:EU:C:1968:11.

[25] CJEU, 8 June 1971, *Deutsche Grammophon*, C-78/70, ECLI:EU:C:1971:59.

[26] CJEU, *Coditel v Ciné Vog Films*, C-62/79, ECLI:EU:C:1980:84.

[27] CJEU, *Coditel v Ciné Vog Films*, C-262/81, ECLI:EU:C:1982:334.

[28] CJEU, 20 January 1981, *Musik-Vertrieb membran et K-tel International*, C-55/80 and C-57/80, ECLI:EU:C:1981:10.

[29] CJEU, 9 February 1982, *Polydor v Harlequin and Others*, C-270/80, ECLI:EU:C:1982:43.

[30] CJEU, 17 May 1988, *Warner Brothers v Christiansen*, C-158/86, ECLI:EU:C:1988:242.

[31] CJEU, 24 January 1989, *EMI Electrola v Patricia Im-und Export and Others*, C-341/87.

Articles 101 and 102 of the TFEU, include *GEMA I*,[32] *GEMA II*,[33] *BRT*,[34] *Basset*,[35] *Tournier*,[36] and *Lucazeau*.[37]

In these cases, the court was confronted with the question on how best to combine the requirements of the internal market as well as free competition with the territoriality of copyright. The territoriality principle is increasingly challenged where the distribution, such as over the Internet, does not know frontiers. The EU legislature is still trying to facilitate the pan-European licensing of copyright,[38] at least with regard to the musical field.[39]

From 1990 to 2009 (second phase), the CJEU case law shows a mix of cases. Some of them concern the interpretation of primary EU law, in particular the rules on free movement of goods. Examples of copyright cases involving exhaustion include *Metronome*[40] and *Laserdisken*.[41] *Tremblay*[42] is about free competition and collecting societies. In *Phil Collins*,[43] *Ricordi/Puccini*,[44] and *Tod's*[45] the compatibility of some copyright rules with the EU principle of non-discrimination was considered.

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[32] CJEU, 18 August 1971, *GEMA v Commission*, C-45/71 R, ECLI:EU:C:1971:90.

[33] CJEU, 18 October 1979, *GEMA v Commission*, C-125/78, ECLI:EU:C:1979:237.

[34] CJEU, 27 March 1974, *BRT v SABAM*, C-127/73, ECLI:EU:C:1974:25.

[35] CJEU, 9 April 1987, *Basset v SACEM*, C-402/85, CLI:EU:C:1987:197.

[36] CJEU, 13 July 1989, *Ministère public v Tournier* [1989], C-395/87, ECLI:EU:C:1989:319.

[37] CJEU, 13 July 1989, *Lucazeau and others v SACEM and others*, C-110/88, 241/88 and 242/88, ECLI:EU:C:1989:326.

[38] See Proposal of 14 September 2016 for a Directive of the European Parliament and of the Council on copyright in the Digital Single Market – COM(2016)593.

[39] See Directive 2014/26/EU of the European Parliament and of the Council of 26 February 2014 on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market [2014] OJ L84/72–98.

[40] CJEU, 28 April 1998, *Metronome Musik v Music Point Hokamp*, C-200/96, ECLI:EU:C:1998:172.

[41] CJEU, 12 September 2006, *Laserdisken ApS v Kulturministeriet*, C-479/04, ECLI:EU:C:2006:549.

[42] CJEU, 24 October 1996, *Tremblay and Others v Commission*, C-91/95 P, ECLI:EU:C:1996:407.

[43] CJEU, 20 October 1993, *Collins and Patricia Im-und Export / Imtrat and EMI Electrola*, C-92/92, ECLI:EU:C:1993:847.

[44] CJEU, 6 June 2002, *Land Hessen v Ricordi*, C-360/00, ECLI:EU:C:2002:346.

[45] CJEU, 30 June 2005, *Tod's v Heyraud*, C-28/04, ECLI:EU:C:2005:418.

During this period (1990–2009), cases focusing on secondary copyright law started to reach the CJEU. For instance, cases like *Egeda/Hoasa*,[46] *Lagardère*,[47] and *SGAE/Hoteles Rafael*[48] considered the notion of 'communication to the public'. *SENA*[49] was about the artists' rights to a remuneration. *Butterfly Music*[50] and *Ricordi/Puccini*[51] considered copyright terms issues. Further, *BHB*,[52] *Fixtures Marketing*,[53] and *Directmedia*[54] were about the conditions and the scope of the rights that apply to a database.

Since 2009 (third phase), many cases involving the interpretation of the copyright directives have been decided or are still pending before the CJEU. The July 2009 decision in *Infopaq I*[55] was probably the turning point as many more cases have started to land before the CJEU since mid-2009.[56]

Overall, the effect of CJEU case law on copyright has led to a court-made harmonization by filling the various gaps of EU copyright directives. The CJEU faced questions on the subject-matter and substantive conditions for copyright, and clarified the meaning and scope of certain rights such as temporary reproduction, communication to the public, lending, and so on. The CJEU also considered exceptions and limitations to copyright including private copying and levies. Some

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[46] CJEU, 3 February 2000, *Egeda*, C-293/98, ECLI:EU:C:2000:66.

[47] CJEU, 14 July 2005, *Lagardère*, C-192/04, ECLI:EU:C:2005:475.

[48] CJEU, 7 December 2006, *Rafael Hoteles*, C-306/05, ECLI:EU:C:2006:764.

[49] CJEU, 6 February 2003, *SENA*, C-245/00, ECLI:EU:C:2003:68, §24.

[50] CJEU, 29 June 1999, *Butterfly Music*, C-60/98, ECLI:EU:C:1999:333.

[51] CJEU, 6 June 2002, *Land Hessen v Ricordi*, C-360/00, ECLI:EU:C:2002:346.

[52] CJEU, 9 November 2004, *British Horseracing Board*, C-203/02, ECLI:EU:C:2004:695.

[53] CJEU, 9 November 2004, *Fixtures Marketing*, C-46/21, ECLI:EU:C:2004:694; CJEU, 9 November 2004, *Fixtures Marketing Ltd v Svenska Spel AB*, C-338/02, ECLI:EU:C:2004:696.

[54] CJEU, 9 October 2008, *Directmedia*, C-304/07, ECLI:EU:C:2008:552.

[55] CJEU, 16 July 2009, *Infopaq*, C-5/08, ECLI:EU:C:2009:465, §35-§38.

[56] See for example: CJEU, 22 December 2010, *BeSoft*, C-393/09, ECLI:EU:C:2010:816; CJEU, 16 June 2011, *Thuiskopie*, C-462/09, ECLI:EU:C:2011:397; CJEU, 9 February 2012, *Martin Luksan*, C-277/10, ECLI:EU:C:2012:65; CJEU, 1 March 2012, *Football Dataco*, C-604/10, ECLI:EU:C:2012:115; CJEU, 16 February 2012, *Netlog*, C-360/10, ECLI:EU:C:2012:85; CJEU, 3 July 2012, *Usedsoft*, C-128/11, ECLI:EU:C:2012:407; CJEU, 11 July 2013, *Amazon*, C-521/11, ECLI:EU:C:2013:515.

technology issues such as the scope of software and database protection, and the liability of intermediaries, were also considered.

Interestingly, the general EU law rules and principles resurface within the interstices of the interpretation of secondary copyright law by the abundant CJEU case law. Good illustrations include *Painer*,[57] *Scarlet*[58] and *Netlog*.[59] In other rulings, the issues of secondary copyright law are treated along with questions involving EU primary law (*Premier League*[60]).

Among several other cases, two CJEU decisions on the role of Internet Service Providers (ISPs), that is *Scarlet* and *Netlog*, show that the judges in Luxembourg are keen to apply a method that balances copyright with other fundamental rights. The growing role of the proportionality principle in the copyright case law is a positive development, although it might generate new uncertainties.

1.6 Example of New Concepts of IP Law Discovered by the CJEU

The balance between intellectual property rights and the principle of the free movement of goods and services has been entirely defined by the case law of the CJEU since the 1960s. It was later codified in secondary EU law.

The normative role of the CJEU in the field of intellectual property rights goes far beyond the principle of exhaustion. In *Football Dataco*, the CJEU decided that the continental concept of *droit d'auteur* prevailed on the Anglo-Saxon copyright ('sweat of the brow' theory) and that the sole criterion for the protection by copyright was originality.[61] The latter

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[57] CJEU, 1 December 2011, *Painer*, C-145/10, ECLI:EU:C:2011:798.

[58] CJEU, 24 November 2011, *Scarlet*, C-70/10, ECLI:EU:C:2011:771.

[59] CJEU, 16 February 2012, *Netlog*, C-360/10, ECLI:EU:C:2012:85.

[60] CJEU, 4 October 2011, *Football Association Premier League*, C-403/08 and C-429/08, ECLI:EU:C:2011:631.

[61] CJEU, 1 March 2012, *Football Dataco*, C-604/10, ECLI:EU:C:2012:115, §41 and §42: 'Therefore, on the one hand, provided that the selection or arrangement of the data—namely, in a case such as the one in the main proceedings, data corresponding to the date, the time and the identity of teams relating to the different fixtures of the league concerned—is an original expression of the creativity of the author of the database, it is irrelevant for the purpose of assessing the eligibility of the database for the copyright protection provided for by Directive 96/9 whether or not that selection or arrangement includes "adding important significance" to that data, as mentioned in section (b) of the referring court's first question. On the other hand, the fact that the setting up of the database required, irrespective of the creation of the data which it contains,

criterion of originality has also been defined by the CJEU in *Infopaq*,[62] *BeSoft*,[63] *Premier League*,[64] and *Painer*.[65] A work is original if 'it is its author's own intellectual creation' and 'an intellectual creation is an author's own if it reflects the author's personality. That is the case if the author was able to express his creative abilities in the production of the work by making free and creative choices'.[66]

In *Lego*, the CJEU excluded the combination of patent and trademark protection on a tri-dimensional shape with a technical function:

> the prohibition on registration as a trade mark of any sign consisting of the shape of goods which is necessary to obtain a technical result ensures that undertakings may not use trade mark law in order to perpetuate, indefinitely, exclusive rights relating to technical solutions. When the shape of a product merely incorporates the technical solution developed by the manufacturer of that product and patented by it, protection of that shape as a trade mark once the patent has expired would considerably and permanently reduce the opportunity for other undertakings to use that technical solution. In the system of intellectual property rights developed in the European Union, technical solutions are capable of protection only for a limited period, so that subsequently they may be freely used by all economic operators. ... Furthermore, the legislature has laid down with particular strictness that shapes necessary to obtain a technical result are unsuitable for registration as trademarks ... If follows, therefore, ... that, even if a shape of goods which is necessary to obtain a technical result has become distinctive in consequence of the use which has been made of it, it is prohibited from being registered as a trade mark.[67]

By deciding that trademark law cannot be used to perpetuate, indefinitely, the exclusive protection on technical solutions even when the shape of

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significant labour and skill of its author, as mentioned in section (c) of that same question, cannot as such justify the protection of it by copyright under Directive 96/9, if that labour and that skill do not express any originality in the selection or arrangement of that data.'

[62] CJEU, 16 July 2009, *Infopaq*, C-5/08, ECLI:EU:C:2009:465, §35–§38.

[63] CJEU, 22 December 2010, *BeSoft*, C-393/09, ECLI:EU:C:2010:816, §45.

[64] CJEU, 4 October 2011, *Football Association Premier League*, C-403/08 and C-429/08, ECLI:EU:C:2011:631, §97.

[65] CJEU, 1 December 2011, *Painer*, C-145/10, ECLI:EU:C:2011:798, §87–§89.

[66] CJEU, 1 December 2011, *Painer*, C-145/10, ECLI:EU:C:2011:798, §87–§89.

[67] CJEU, 14 September 2010, *Lego*, C-48/09, ECLI:EU:C:2010:516, §45–§47.

the good acquired a distinctive character, the Court made a policy choice based on some idea of the public interest.

The CJEU also created new rules at the periphery of intellectual property law. In *Google Spain*,[68] the Court confirmed the existence of a so-called 'right to be forgotten' which in reality is a right to be delinked (or delisted). To recognize this right on the personal data linked to a search online, the Court followed a theological and flexible interpretation of the relevant Directive 95/46:

> Inasmuch as the activity of a search engine is therefore liable to affect significantly, and additionally compared with that of the publishers of websites, the fundamental rights to privacy and to the protection of personal data, the operator of the search engine as the person determining the purposes and means of that activity must ensure ... that the activity meets the requirements of Directive 95/46 in order that the guarantees laid down by the directive may have full effect and that effective and complete protection of data subjects, in particular of their right to privacy, may actually be achieved.[69]

The Court decided that Google was to be considered as a 'controller' of personal data because a broad definition of 'controller' in the Directive 95/46 (Art. 2, d)) is necessary for ensuring an effective protection of data subjects.[70] In addition, the Court was bold in deciding that EU law had to apply to this case, although the data processing generated by the storage and indexing of the webpages arguably is taking place in the U.S., because the processing is carried out in the context of the activities of the Spanish establishment which promotes and sells advertising space to Spanish advertisers.[71]

More recently, in the *GS Media* case, the Court has adopted a pragmatic and reasonable approach in light of the facts of the case, but its view is highly questionable in light of the copyright principles.

According to *GS Media*, there is a 'communication to the public' when the user 'knew or ought to have known that the hyperlink he posted provides access to a work illegally placed on the internet, for example owing to the fact that he was notified thereof by the copyright holders'.

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[68] Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, O.J., 1995, L 281, p. 31.

[69] CJEU, 13 May 2014, *Google Spain*, C-131/12, ECLI:EU:C:2014:317, §36.

[70] Id., §34.

[71] Id., §55.

Moreover, 'when the posting of hyperlinks is carried out for profit, … it must be presumed that that posting has occurred with the full knowledge of the protected nature of that work and the possible lack of consent to publication on the internet by the copyright holder'.[72] On the contrary, there is no communication to the public, when the user is not seeking profit and did not know that the hyperlink referred to an illicit source.

The Court thus interprets the concept of 'communication to the public' in a way that requires to take into account the intention of the user (and the profit making nature of the act). This completely blurs the distinction known in copyright law between direct infringement (the intentional or *bona fide* element does not play a role) and indirect infringement (where several criteria including the knowledge factor are commonly applied by the national courts based on national law concepts).[73]

While *bona fide* has always been considered not to be relevant for establishing direct liability, the Court has surprisingly added a subjective criterion, the – presumed – knowledge of the user. This is new law created by the Court. It remains questionable from a legal point of view. The judgments of the Court are not only based on *strictly legal* considerations; the Court also takes into account the practical consequences of its decision. In this case, the Court's view interferes with national law which so far has governed all the indirect liability issues. This is one good illustration of the tendency of the Court to expand its jurisdiction while apparently interpreting secondary EU law.

2. BALANCING THE PROTECTION OF INTELLECTUAL PROPERTY WITH OTHER FUNDAMENTAL RIGHTS

In *GS Media*, the CJEU tried to define a fair balance

> between, on one hand, the interests of copyright holders and related rights in protecting their intellectual property rights, safeguarded by Article 17(2) of the Charter of Fundamental Rights of the European Union ('the Charter') and, on the other, the protection of the interests and fundamental rights of users of

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[72] CJEU, 8 September 2016, *GS Media*, C-160/15, ECLI:EU:C:2016:644, §49 and §51.

[73] A. Strowel (ed.), *Peer-to-Peer File Sharing and Secondary Liability in Copyright Law*, Cheltenham, UK and Northampton, MA: Edward Elgar Publishing, 2009.

> protected objects, in particular their freedom of expression and of information, safeguarded by Article 11 of the Charter, and of the general interest.[74]

A substantial portion of the case law of the CJEU in the field of intellectual property is dedicated to balancing between fundamental rights protected by the Charter. This evolution of the case law arises from the recognition of intellectual property as a fundamental right to property in Article 17.2 of the Charter: 'Intellectual property shall be protected.' The elevation of intellectual property to the rank of fundamental right generates conflicts with other fundamental rights such as freedom of speech, freedom to conduct business, freedom to work, and so on.

The case law involving this balancing started with the *Promusicae* case. The Court had to decide whether several provisions of EU law, including the 2001/29 copyright and the 2004/48 enforcement directives, had the effect that the Member States are or not obliged to lay down an obligation to communicate personal data in the context of civil proceedings. For the Court, this case requires to balance the fundamental right to intellectual property and the fundamental right to effective judicial protection with other rights such as the right to respect privacy and the right to protect personal data.

The CJEU answered that

> Member States must, when transposing the directives mentioned above, take care to rely on an interpretation of the directives which allows a fair balance to be struck between the various fundamental rights protected by the Community legal order. Further, when implementing the measures transposing those directives, the authorities and courts of the Member States must not only interpret their national law in a manner consistent with those directives but also make sure that they do not rely on an interpretation of them which would be in conflict with those fundamental rights or with the other general principles of Community law, such as the principle of proportionality.[75]

The CJEU has further developed its case law on the balancing of fundamental rights in the *Scarlet* case. This case raised a similar question but in the context of online enforcement and with a view to the use of a filtering system. The CJEU was asked whether the protection of the fundamental rights to privacy and the protection of personal data had to

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[74] CJEU, 8 September 2016, *GS Media*, C-160/15, ECLI:EU:C:2016:644, §49 and §31.

[75] CJEU, 28 January 2008, *Promusicae*, C-275/06, ECLI:EU:C:2008:54, §68.

be interpreted as precluding an injunction imposed on an ISP to introduce a system for filtering (i) all electronic communications passing via its services, in particular those involving the use of peer-to-peer (P2P) software; (ii) which applies indiscriminately to all its customers; (iii) as a preventive measure; (iv) exclusively at its expense; and (v) for an unlimited period in order to detect copyright infringing files and block those files.

In 2004, SABAM (the largest Belgian collective rights management society) established that the users of the services offered by Scarlet, a Belgian ISP, were downloading and exchanging works via P2P protocols without authorization and without paying royalties. SABAM sued Scarlet and sought two remedies: a declaration that Scarlet's subscribers were infringing its members' copyrights; and an order requiring Scarlet to end the infringements by blocking all P2P traffic that could contain a media file (i.e., a musical/audio-visual work).

The Brussels Court of First Instance granted both remedies. Scarlet appealed to the Brussels Court of Appeal arguing that the order could not be effectively implemented and that it would require Scarlet to monitor all traffic on its network in violation of (i) Article 15 of the E-Commerce Directive (2000/31/EC), which provides that ISPs have no duty to monitor activities on their networks, and (ii) EU data protection laws. As these questions impacted EU legislation, the Brussels Court of Appeal referred the matter to the European Court of Justice (ECJ).

The CJEU observed that although

> the protection of the right to intellectual property [was] enshrined in Article 17(2) of the Charter of Fundamental Rights of the European Union [there was], however, nothing whatsoever in the wording of that provision or in the Court's case-law to suggest that that right [was] inviolable and must for that reason be absolutely protected.[76]

The Court stressed 'that the protection of the fundamental right to property, which includes the rights linked to intellectual property, must be balanced against the protection of other fundamental rights' and that the 'courts must strike a fair balance between the protection of the intellectual property right enjoyed by copyright holders and that of the freedom to conduct a business enjoyed by operators such as ISPs pursuant to Article 16 of the Charter'. Finally, the Court considered that

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[76] CJEU, 24 November 2011, *Scarlet*, C-70/10, ECLI:EU:C:2011:771, §43.

the obligation imposed on ISPs to carry out general monitoring of the whole Internet traffic did not reflect a 'fair balance'.[77]

A similar reasoning was applied by the Court in the *Netlog* case[78] involving a hosting provider rather than an access provider as in *Scarlet.*

More recently, the CJEU has applied its above mentioned case law related to online activities to an 'offline' marketplace.[79]

3. BALANCING INTELLECTUAL PROPERTY RIGHTS WITH COMPETITION LAW

The CJEU has played an important role in balancing intellectual property rights and competition law. In this field, the CJEU has also relied on the proportionality principle to adjust the limits of intellectual property rights to preserve competition within the internal market.

3.1 *Volvo v Veng*

The conflicts between intellectual property and competition law have produced numerous decisions from the CJEU. For the first time in *Volvo v Veng*, the CJEU considered whether an IP holder's refusal to license could be regarded abusive under EU competition law.[80] In this case, Volvo, the proprietor of UK-registered designs for the front wings of its cars, sued for infringement Mr. Veng who imported the same body panels manufactured without consent from Volvo. The CJEU observed that it is the exclusive right of the proprietor of a protected design to prevent third parties from infringing its protected design. Thus, the proprietor's refusal to grant a license cannot in itself constitute an abuse of a dominant position under Article 102 TFEU.

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[77] Id., §44 and §46.

[78] CJEU, 16 February 2012, *Netlog*, C-360/10, ECLI:EU:C:2012:85, §44 to §51 ('the injunction requiring installation of the contested filtering system would involve the identification, systematic analysis and processing of information connected with the profiles created on the social network by its users. The information connected with those profiles is protected personal data because, in principle, it allows those users to be identified … Moreover, that injunction could potentially undermine freedom of information, since that system might not distinguish adequately between unlawful content and lawful content, with the result that its introduction could lead to the blocking of lawful communications …').

[79] CJEU, 7 July 2016, *Tommy Hilfiger*, C-494/15, ECLI:EU:C:2016:528.

[80] CJEU, 5 October 1988, *Volvo v Veng*, C-238/87, ECLI:EU:C:1988:477.

Importantly, however, the CJEU warned that

> the exercise of an exclusive right by the proprietor of a registered design in respect of car body panels may be prohibited by [Article 102 TFEU] if it involves, on the part of an undertaking holding a dominant position, certain abusive conduct such as the arbitrary refusal to supply spare parts to independent repairers, the fixing of prices for spare parts at an unfair level or a decision no longer to produce spare parts for a particular model even though many cars of that model are still in circulation, provided that such conduct is liable to affect trade between Member States.[81]

3.2 The 'Exceptional Circumstances' Doctrine – *Magill*

In subsequent cases concerning competition law issues involving IP rights, the CJEU developed the 'exceptional circumstances' doctrine. In *Magill*, each of the broadcasting companies was at the time publishing a weekly magazine with its own TV program schedules. Magill TV Guide ('Magill') intended to publish a comprehensive weekly TV guide offering multi-channels' programs. But it was refrained from doing so because the broadcasters, as the proprietors of their TV program listings, threatened to seek injunctions based on their copyright on the program listings.[82] There was no alternative for Magill to develop a comprehensive weekly TV guide without a license because the broadcasters were the sole source of the information. Access to the TV program listings was an essential facility.

In *Magill*, the Court confirmed that the exercise of an intellectual property right by its right holder, in a dominant position, could in exceptional circumstances involve abusive conduct. Such exceptional circumstances do exist when the refusal to license prevents the appearance of a new product for which there was a potential consumer demand.[83] The Court considered also that the obligation to grant a

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[81] Id., §9.

[82] Advocate General Jacobs observed that 'the provision of copyright protection for program listings was difficult to justify in terms of rewarding or providing an incentive for creative effort' (Opinion of Advocate General Jacobs, 28 May 1998, *Oscar Bronner*, C-7/97, ECLI:EU:C:1998:264, §63). The seemingly low intrinsic value of the copyright in the materials at hand was not specifically questioned by the CJEU in *Magill*. But it may be part of the 'exceptional circumstances' test.

[83] CJEU, 6 April 1995, *Magill*, C-241/91 P and C-242/91 P, ECLI:EU:C:1995:98, §54.

copyright license imposed on the copyright holder was a necessary and proportionate measure to bring the anti-competitive conduct to an end.[84]

3.3 The 'Exceptional Circumstances' Doctrine – *IMS Health*

In *IMS Health*, the CJEU has summarized its case law by highlighting that

> according to settled case-law, the exclusive right of reproduction forms part of the rights of the owner of an intellectual property right, so that refusal to grant a license, even if it is the act of an undertaking holding a dominant position, cannot in itself constitute abuse of a dominant position. Nevertheless, as is clear from that case-law, exercise of an exclusive right by the owner may, in exceptional circumstances, involve abusive conduct.[85]

In Germany, IMS Health provided data on regional sales of pharmaceutical products to laboratories. The data format involved a 'brick structure'. IMS Health had set up a working group with its pharmaceutical clients to improve the brick structure which then became a de facto standard in the industry. The CJEU had to consider whether the IP-protected brick structure was indispensable to allow potential competitors to access the market in which IMS Health was a dominant undertaking.

First, the CJEU provided factors to consider when determining whether an IP-protected work is 'indispensable' to competitors. These factors include (i) the degree of participation by customers in the development of the protected work; and (ii) the switching cost on the part of potential customers to purchase an alternative from competitors.[86]

Second, the Court recorded the circumstances identified in its existing case law – the refusal to grant a license by a right holder in a dominant position which prevents the appearance of a new product for which a potential demand exists – and added two new circumstances for the identification of an abusive conduct: (i) the refusal is not justified by objective considerations and (ii) the refusal is such as to reserve to the owner of the intellectual property right the market for the new product by eliminating all competition on that market.[87]

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[84] Id., §94.

[85] CJEU, 29 April 2004, *IMS Health*, C-418/01, ECLI:EU:C:2004:257, §34 and §35.

[86] Id., §30.

[87] Id., §52.

According to the Court, the refusal by a dominant IP holder must be capable of excluding 'all' competition on the downstream market.[88] But it is not necessary for the indispensable product (i.e., the brick structure of IMS Health) to be sold in the actual market. It is sufficient to identify a possible consumer demand in a potential market or even in a hypothetical market.[89]

The 'exceptional circumstances' test has been developed as one balancing principle when a refusal to allow access to IP-protected materials by a right holder prevents competition in a market. This case law was later confirmed in the *Microsoft* case which is in line with previous decisions of the CJEU.[90]

3.4 *Cefetra*

The *Cefetra* case is another case involving competition issues although the discussion is only about the scope of patent law.[91] The *Cefetra* case related to the market of animal foodstuff and more precisely to the derivatives of soybeans (soy flour and soy pellets) used for feeding cattle within the European Union.

Most of these derivatives are produced in Argentina where soy plants are transgenic soy plants which were made artificially resistant to the glyphosate herbicide. Monsanto was the holder of European patents on the transgenic soy plants and on the glyphosate but it did not obtain Argentinean patents on these inventions. The use of transgenic soy plants was free in Argentina while it was under Monsanto's control on the European continent.

On the basis of its European patents, Monsanto blocked the importation of the derivatives of soy beans from Argentina within the European Union. Monsanto offered to release the merchandise against the signature of a settlement agreement with the European importers under which they would commit to pay a royalty of 10 USD per ton of soy derivative imported from Argentina and would acknowledge that Monsanto's patents did cover the derivatives of soy beans.

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[88] Id., §47.

[89] Id., §44.

[90] T.E.U., 17 September 2007, *Microsoft*, T-201/04, ECLI:EU:T:2007:289, §331 and §691.

[91] CJEU, 6 July 2010, *Cefetra*, C-428/08, ECLI:EU:C:2010:402.

The importers refused Monsanto's offer and the case was eventually brought to the Court of Justice. Monsanto's argument was that it was the holder of a product patent on a specific gene able to render the soy plant tolerant to the glyphosate herbicide; that the holder of a product patent may prevent the importation of anything containing its patented product within the territory covered by the patent and that as the soy beans derivatives contained traces of the patented DNA, Monsanto could prevent the importation of said derivatives within the EU.

The Court decided that pursuant to Article 9 of the directive on the legal protection of biotechnological inventions,[92] a patent covering genetic information did not benefit from the absolute protection recognized to product patent but had a scope limited to any product in which the genetic information was included *and performed its function.* As the function of the patented genetic information (tolerance to the glyphosate herbicide) was not performed in soy flour and in soy pellets, these products did not fall within the scope of Monsanto's patents.

Although the *Cefetra* case is a patent case rather than a competition case, its economic significance and impact on the competition in the market for cattle foodstuff were extremely important. If Monsanto had won this case, the company would have had the possibility to control prices on the market for cattle foodstuff and, as a consequence, prices on animal derivatives products. This company would also have had the opportunity to favor American or Canadian producers by making the price of the Argentinean imports less attractive.

The *Cefetra* case illustrates very well how decisions from the Court of Justice of the European Union in the field of intellectual property have a far-reaching impact on the economy of the European Union and on international trade. By interpreting primary and secondary European Union law, the CJEU enacts new rules which have a substantial legal and economic impact.

4. LIMITS OF THE CJEU'S INTERPRETATIVE ACTIVISM AND CREATIVITY

Insofar as the creativity of the Court essentially rests on the interpretation of secondary EU law, the Court plays an important role in fields where

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[92] Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions, O.J., L 213, 30 July 1998, pp. 13–21.

such secondary law exists. The secondary law is rather developed as regards trademarks, designs and copyright. It is, however, confined to biotechnology and supplementary protection certificates in the field of patents. Therefore, the role of the Court of Justice in this area remains limited. The first limit set to the power of the CJEU is its dependence on the existence of regulations and directives to interpret.

When interpreting EU law, the Court of Justice must respect many constraints which limit its creative freedom. The Court of Justice must respect the wording of the rule that is interpreted. By way of example, the Court would not decide that the mere listening to music in a living room by a private individual is a communication to the public because there is no 'public' likely to receive a 'communication'.

The CJEU must also take into account the context of the rule, its historical content, the purpose of the rule, the existing case law (including the general principles of EU law) and the existing rules (EU treaties, international trade agreements, and other legal instruments). The case law of the CJEU reveals that the Court respects these limits. In particular, the Court very often relies on a teleological interpretation based on the purpose of the rule. Reversal of case law is also quite exceptional; most of the time the Court follows its existing case law.

The CJEU is also respectful of the existing rules and international treaties even if it might be more audacious in this field by referring to the case law of foreign courts as a source of inspiration for its own decisions.[93]

5. THE DYNAMIC OF THE CJEU CASE LAW

The CJEU plays a double role in the field of intellectual property. The CJEU is a policy maker. When interpreting EU law, the CJEU (almost) always refers to the purpose of the rule as a source of legitimacy of its own interpretation. This theological interpretation of EU law logically favors a greater integration and harmonization within the European

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[93] See S. Breyer, *The Court and the World: American Law and the New Global Realities*, New York, Alfred A. Knopf, 2015; J. Allard and L. Van den Eynde, 'Le dialogue des jurisprudences comme source du droit', in I. Hachez, Y. Cartuyvels, H. Dumont, Ph. Gérard, F. Ost and M. van de Kerchove, *Les sources du droit revisitées. Volume 3: normativités concurrentes*, Bruxelles, Presses de l'USL and Anthemis, 2012, pp. 285–315.

Union. In this respect the CJEU case law has a harmonizing effect as important as the directives and regulations that it interprets. The CJEU does not only create new rules of IP law, it deepens the harmonization of IP law within the European Union.

The CJEU plays also the role of a trouble maker. We have noted that the CJEU must observe the wording of the rule when interpreting it, which is a serious limitation to its creative freedom. When it is dissatisfied with the wording of the rule, the CJEU often highlights the issue in order to stimulate a legislative intervention.

The *Padawan* saga illustrates this dynamic. When the Court decided that the concept of 'fair compensation' for private copy is an autonomous concept of European Union law[94] although the system of levies for private copying was left un-harmonized by the Directive 2001/29/EC, the Court in reality opened a Pandora's box with many additional practical problems unsolved. This resulted in numerous decisions post-*Padawan*. The CJEU had to solve numerous questions generated by the *Padawan* decision that should have been solved by the EU legislator.[95]

The Court (or more precisely, the Tribunal) was also a trouble maker in the *Microsoft* case.[96] The cancelation by the Tribunal of the obligation to appoint an independent monitoring trustee for the control of the application of the Commission's decision generated many problems because the Commission commonly appoints an independent monitoring trustee to verify compliance with the conditions set out in a Commission's decision, in particular in the field of mergers and concentrations.

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[94] CJEU, 21 October 2010, *Padawan*, C-467/08, ECLI:EU:C:2010:620, § 37.

[95] See: CJEU, 12 November 2015, C-572/13, ECLI:EU:C:2015:750; CJEU, 5 March 2015, *Copydan Båndkopi*, C-463/12, ECLI:EU:C:2015:144; CJEU, 10 April 2014, *ACI Adam*, C-435/12, EU:C:2014:254; CJEU, 11 July 2013, *Amazon*, C-521/11, ECLI:EU:C:2013:515; CJEU, 27 June 2013, *Wort*, C-457/11, C-458/11, C-459/11 and C-460/11, ECLI:EU:C:2013:426; CJEU, 16 June 2011, *Thuiskopie*, C-462/09, ECLI:EU:C:2011:397.

[96] T.E.U., 17 September 2007, *Microsoft*, T-201/04, ECLI:EU:T:2007:289, §1271.

6. IS THERE A NEED FOR CHANGING THE ADJUDICATION SYSTEM INVOLVING THE CJEU?

Is the adjudication system involving the Court of Justice (and the General Court (GC)) of the EU working adequately? Is there a need to improve it, and how?

It is undisputable that the CJEU is at the origin of many changes and even turning points in the construction of European intellectual property law. The economic significance of the CJEU's decisions in the field of intellectual property has also increased with the development of the knowledge and digital economies. Legitimate criticisms and even fundamental objections can be made of some of the Court's rulings. Some right holders remain reluctant to delegate more power to the CJEU in the field of intellectual property, especially when important economic and financial issues are at stake. The negotiation surrounding the Unified Patent Court Agreement amply shows this reluctance.

The number of intellectual property cases brought to the CJEU is also increasing year after year. As already noted in a previous article,[97] the caseload for each category of IP right highlights the state of the legislation for the different IP rights. According to the CJEU's statistics, over 1,300 decisions were issued between 2001 and 2011 in the field of 'industrial and commercial property'. More than 1,100 cases involved trademark. Table 5.1 provides an overview of the CJEU's IP cases classified according to specific legal bases such as EU directives or regulations concerning IP.

As noted, the majority of CJEU's cases concern trademarks, either in relation to the trademarks of the European Union or to the approximation of the trademark laws of the Member States. Even though the numbers for the remaining IP cases appear less significant, many of them played an important role in advancing the substance of European jurisprudence for IP. When searched by the seven major Directives in the relevant field, over 80 cases concern copyright issues. A similar number of cases concern issues broadly related to plant varieties or patents, including supplementary protection certificates (SPCs) and biotechnology inventions. Only 25 cases relate to Community designs or design rights under the laws of Member States.

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[97] A. Strowel and K. Hee-Eun, 'The Balancing Impact of General EU Law on European Intellectual Property Jurisprudence', in A. Ohly and J. Pila (eds), *The Europeanization of Intellectual Property Law: towards a European Legal Methodology*, Oxford, Oxford University Press, 2013, pp. 121–142.

Table 5.1 Overview of CJEU's IP cases by search criteria[98]

Selected search criteria	Number of cases (1 January 2001 – 19 December 2011)
Industrial and commercial property	1337
Trademarks	1145
Community Trademarks (Regulation 40/94)	927
Trademark harmonization (Directive 89/104)	197
Community Trademarks (Regulation 207/2009)	165
Copyright (based on 7 Directives)[99]	82
Plant variety	56
Design	25
Supplementary protection certificate	14
Biotechnology patents	10

[98] As claimants often use more than one relevant legal basis, the possibility of multiple counts is not excluded. The purpose of this table is to provide an approximate sense of the relative volume of cases concerning each legislation.

[99] Directive 2001/84/EC of the European Parliament and of the Council on the resale right for the benefit of the author of an original work of art (Resale Directive) [2001] OJ L272/32; Directive 2001/29/EC of the European Parliament and of the Council on the harmonization of certain aspects of copyright and related rights in the information society (Infosoc Directive) [2001] OJ L167/10; Directive 96/9/EC of the European Parliament and of the Council on the legal protection of databases (Database Directive) [1996] OJ L77/20; Council Directive 93/83/EEC on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission (Satellite Directive) [1993] OJ L248/15; Council Directive 93/98/EEC harmonizing the term of protection of copyright and certain related rights (Copyright Duration Directive) [1993] OJ L290/9; Council Directive 92/100/EEC on rental right and lending right and on certain rights related to copyright in the field of intellectual property (Rental Directive) [1992] OJ L346/61; and Council Directive 91/250/EEC on the legal protection of computer programs (Software Directive) [1991] OJ L122/42.

Table 5.2 Overview of the Court of First Instance/General Court and of the CJEU IP cases (filed between 1999 and 2015)

	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15
CFI & GC	18	34	37	83	100	110	98	143	168	198	207	207	219	238	294	295	303
CJEU	2	6	15	8	9	8	24	23	28	36	39	49	58	59	62	47	88

Table 5.2 shows that the numbers of new IP cases filed with the Tribunal (and the General Court since December 2009) and the CJEU have increased significantly in the past decades. To some extent, the increase may be explained in connection with the overall increase in the total caseload. Yet, interestingly, the proportion of IP cases compared with the total cases appears to be on the rise as well. In 2011, for example, 58 IP cases out of 679 total cases were filed with the CJEU showing 8% of the caseload. At the General Court, this percentage was much bigger: 219 IP cases out of 722 total cases were filed representing over 30% of the caseload. In 2014, intellectual property was the second largest category of new cases pending before the Court with 47 cases out of a total of 610 new cases; in 2015, intellectual property was the largest category with 88 cases out of a total of 702 new cases.[100]

These evolutions make intellectual property an increasingly important component of the Court's work. It seems therefore legitimate to question how the handling of intellectual property cases at the Court of Justice of the European Union could evolve.

7. A SPECIALIZED CHAMBER IN IP LAW?

One option is the creation of a specialized chamber in intellectual property law. After all, this is precisely what the Unified Patent Court (UPC) aims to do for patent law. If the CJEU did have a specialized chamber for intellectual property – such an option was discussed some

[100] These statistics are the official statistics mentioned in the annual reports of the Court of Justice. They do not include the number of cases pending before the Tribunal of the European Union which is always quite important as the Tribunal receives all appeals against decisions taken by the European Union Intellectual Property Office (EUIPO).

years ago – the UPC Agreement would probably never have been envisaged.[101]

A specialized chamber in intellectual property law offers many advantages. It is supposed to be quicker and more effective in handling the cases and the caseload. It would permit the adaptation of procedural rules to the peculiarities of intellectual property cases. In principle it could also increase the consistency and predictability of the judicial outcomes. This in turn might lead to a reduction of litigation and favor quicker and more effective decisions.

A specialized chamber needs a team of judges with an expertise in intellectual property law. Pursuant to Article 257 TFEU,[102] creating a

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[101] See article 262 TFEU: 'Without prejudice to the other provisions of the Treaties, the Council, acting unanimously in accordance with a special legislative procedure and after consulting the European Parliament, may adopt provisions to confer jurisdiction, to the extent that it shall determine, on the Court of Justice of the European Union in disputes relating to the application of acts adopted on the basis of the Treaties which create European intellectual property rights. These provisions shall enter into force after their approval by the Member States in accordance with their respective constitutional requirements.'

[102] Article 257 TFEU provides that:

> 'The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, may establish specialized courts attached to the General Court to hear and determine at first instance certain classes of action or proceeding brought in specific areas. The European Parliament and the Council shall act by means of regulations either on a proposal from the Commission after consultation of the Court of Justice or at the request of the Court of Justice after consultation of the Commission.
>
> The regulation establishing a specialized court shall lay down the rules on the organization of the court and the extent of the jurisdiction conferred upon it.
>
> Decisions given by specialized courts may be subject to a right of appeal on points of law only or, when provided for in the regulation establishing the specialized court, a right of appeal also on matters of fact, before the General Court.
>
> The members of the specialized courts shall be chosen from persons whose independence is beyond doubt and who possess the ability required for appointment to judicial office. They shall be appointed by the Council, acting unanimously.
>
> The specialized courts shall establish their Rules of Procedure in agreement with the Court of Justice. Those Rules shall require the approval of the Council.
>
> Unless the regulation establishing the specialized court provides otherwise, the provisions of the Treaties relating to the Court of Justice of the European

specialized chamber and gathering a team of specialized judges is technically possible. However, the creation of a specialized chamber is not necessarily an appropriate evolution. At least two reasons go against such development.

First, it is not always possible to isolate intellectual property law from other fields of European Union law. We have highlighted that more and more cases submitted to the Court aim at solving tensions between intellectual property rights and other fundamental rights or competition law. Would a chamber specialized in intellectual property have more competence or legitimacy to decide on fundamental rights or competition law than the other chambers of the Court?

Second, the normative role of the CJEU extends beyond the technicalities of intellectual property law. Most lawyers admit that intellectual property is a rather complex and specific field of the law and that intellectual property cases are better settled by experienced judges. But intellectual property cases do not only involve technical questions and their solutions, many cases also involve issues of policy or public interest.

In addition to the cases mentioned above, two additional cases demonstrate that the decisions made by the CJEU do not rest solely on legal technicalities.

The first case is the *Oliver Brüstle* case. It is a case in which the ethical dimension overlooks the technical reasoning. Formally, the case was about the subject-matter of patents on biotechnological inventions under the 98/44/CE Directive. But, in order to solve the legal question, the Court has had to define the concept of a human embryo. The Court ruled that

> any human ovum must, as soon as fertilized, be regarded as a 'human embryo' within the meaning and for the purposes of the application of Article 6(2)(c) of the Directive, since that fertilization is such as to commence the process of development of a human being. That classification must also apply to a non-fertilized human ovum into which the cell nucleus from a mature human cell has been transplanted and a non-fertilized human ovum whose division and further development have been stimulated by parthenogenesis. Although those organisms have not, strictly speaking, been the object of fertilization, due to the effect of the technique used to obtain them they are, as is apparent from the written observations presented to the Court, capable of

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Union and the provisions of the Statute of the Court of Justice of the European Union shall apply to the specialized courts. Title I of the Statute and Article 64 thereof shall in any case apply to the specialized courts.'

> commencing the process of development of a human being just as an embryo created by fertilization of an ovum can do so.[103]

The Court then decided that

> the exclusion from patentability concerning the use of human embryos for industrial or commercial purposes set out in Article 6(2)(c) of Directive 98/44 also covers the use of human embryos for purposes of scientific research, only use for therapeutic or diagnostic purposes which is applied to the human embryo and is useful to it being patentable[104]

and that

> Article 6(2)(c) of Directive 98/44 excludes an invention from patentability where the technical teaching which is the subject-matter of the patent application requires the prior destruction of human embryos or their use as base material, whatever the stage at which that takes place and even if the description of the technical teaching claimed does not refer to the use of human embryos.[105]

The Court aims to offer an interpretation of the legal notion of an embryo – at least it presents its reasoning as such:

> it should be pointed out that, although, the definition of human embryo is a very sensitive social issue in many Member States, marked by their multiple traditions and value systems, the Court is not called upon, by the present order for reference, to broach questions of a medical or ethical nature, but must restrict itself to a legal interpretation of the relevant provisions of the Directive.[106]

Nevertheless, the decision has a clear ethical dimension even if the Court sources this ethical aspect in the legislator's intention. According to the Court, the fact that

> the preamble to the Directive states that although it seeks to promote investment in the field of biotechnology, use of biological material originating from humans must be consistent with regard for fundamental rights and, in particular, the dignity of the person ... show that the European Union legislature intended to exclude any possibility of patentability where respect

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[103] CJEU, 18 October 2011, *Olivier Brüstle*, C-34/10, ECLI:EU:C:2011:669, §35 and §36.

[104] Id., §46.

[105] Id., §52.

[106] Id., §30.

> for human dignity could thereby be affected. It follows that the concept of 'human embryo' within the meaning of Article 6(2)(c) of the Directive must be understood in a wide sense.[107]

The dignity of the person which is at the core of the Court's reasoning is an ethical concept.

The second case is the *Deckmyn* case in which the Court has decided that the exception to copyright for parody provided for under Article 5.3, k) of Directive 2001/29 excluded

> discrimination based on race, colour and ethnic origin, as was specifically defined in Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin ..., and confirmed, inter alia, by Article 21(1) of the Charter of Fundamental Rights of the European Union.[108]

Although the *Deckmyn* case technically relates to copyright, its real scope extends far beyond an interpretation of a copyright exception, but requires a broader discussion on the limits of freedom of expression.

We do not consider that questions as important as identifying the implication of human dignity or the limits of freedom of speech should be left to judges specialized in intellectual property law. Such questions are better handled by a diversity of experienced judges in various areas of European Union law.

8. CONCLUDING REMARK

Pushing this reasoning further, one may ask whether intellectual property is not too important to be left to lawyers.

We have highlighted that the judgments of the CJEU in the field of intellectual property have a significant normative, economic and, as the case may be, ethical significance. In interpreting European intellectual property law, the Court does create new rules, new definitions and makes policy choices aiming at improving integration and harmonization between the Member States as well as promoting the achievement of the internal market.

The question of the opportunity to include non-lawyers in the Court's composition may be surprising but, placed in its context, seems rather

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[107] Id., §32 and §34.

[108] CJEU, 3 September 2014, *Deckmyn*, C-201/13, ECLI:EU:C:2014:2132, §30.

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logical. A judicial system is an increasingly important tool for engineering a democratic society, in addition to representative assemblies and other institutions. Interdisciplinarity is of the essence in a democratic legislative process as many experts, including from civil society, are now invited to substantially contribute to legislative processes. Why not consider adding other experts as advisers to the Court or even as members of the Court's panels?

For intellectual property (and competition law) cases in particular, the value of adding economists in the composition of the Court of Justice should be seriously considered. It makes sense to interpret intellectual property and more generally economic law in the light of economic analysis. Unfortunately, economic considerations are rarely central in the debates in front of the Court of Justice. Economists should play a role in the application and interpretation of intellectual property law by the Court of Justice of the European Union.

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6. The role of the European Court of Justice in the European Patent Court system

Stefan Luginbuehl and Teodora Kandeva[1]

1. INTRODUCTION

The project of establishing a common European patent and European Patent Court has undergone many different iterations from its inception in the 1970s. Through these iterations, one of the highly debated aspects of the proposals has been the role of the Court of Justice of the European Union (CJEU).

This article provides a historical overview of the stages of establishing a European Patent Court with an emphasis on the varying degrees of involvement of the CJEU in the different proposals and in its final version provided for in the Agreement on a Unified Patent Court.

2. HISTORICAL OVERVIEW OF THE CREATION OF A COMMON EUROPEAN PATENT AND EUROPEAN PATENT COURT

2.1 The Community Patent Convention of 1975 and the Luxembourg Agreement of 1989

2.1.1 The Community Patent Convention of 1975

The first initiative for the creation of a common European patent dates back to 1975.[2] The so-called Community patent was based on the

[1] The authors are expressing their personal views.

[2] For a historical overview, see F K Beier, Europäisches Patentübereinkommen, Münchner Gemeinschaftskommentar, 2. Lieferung, Januar 1998, Einführung, Dritter Teil, Grundzüge des europäischen Patentrechts, 87 ff and N 19;

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Community Patent Convention (CPC),[3] which finds its roots in the European Patent Convention (EPC).[4] The EPC had established a common application and examination procedure leading to the grant of a European patent, which is a bundle of patents having in general the effects of a national patent granted by the EPC contracting states where the European patent takes effect. The CPC aimed at restoring the territorial unity lost following the grant of a European patent by way of creating a common patent for the internal market.[5]

The CPC's litigation system also stems from the organizational structure provided under the EPC. It provides for the creation of a Revocation Division and Board within the European Patent Office (EPO), responsible for the examination of requests for limitation and applications for revocation of Community patents. The Revocation Division would have served as first instance chamber, whereas the Revocation Board would have served as appeal chamber. As for infringement actions, these would have fallen under the competence of Community member states' national court systems. Hence, under the litigation scheme as envisaged by the CPC, bifurcation would have been mandatory.[6]

Decisions rendered by the Revocation Board could have been appealed to the European Court of Justice (ECJ) on grounds of infringement of an essential procedural requirement and of infringement of the CPC or any rule of law relating to its application, in so far as that rule of law is not a national provision.[7] Furthermore, the ECJ would have also had a role in

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K Haertel, fortgef. von I Koch and D Stauder, Vereinbarung über Gemeinschaftspatente, Textausgabe mit Einführung, Köln et al 1997, 1 ff, 3.; J Pila, "Historical Perspective" in J Pila and C Wadlow (eds), *The Unitary Patent System*, Oxford: Hart Publishing (2015).

[3] Convention for the European Patent for the Common Market (Community Patent Convention) (76/76/EEC).

[4] Convention on the Grant of European Patents of 5 October 1973, accessed 6 May 2018 at www.epo.org.

[5] I Koch and D Stauder, fn. 2, 10.

[6] W L Haardt, "The Setting Up of a Court of Appeal for Community Patents", International Review of Industrial Property (1985) vol 16 no 3, 333–334; C Wadlow, "Historical Perspective II" in J Pila and C Wadlow (eds), fn. 2, 34.

[7] Article 63 CPC 1975: Further appeal:

"1. A further appeal to the Court of Justice of the European Communities shall lie from decisions of the Revocation Boards on appeals. Such further appeal shall have suspensive effect.

2. The further appeal may be lodged on grounds of infringement of an essential procedural requirement and of infringement of this Convention or

hearing preliminary referrals from national courts dealing with infringement cases of Community patents. Hence the ECJ, under the CPC proposal, would have been brought in to interpret substantive patent law provided both under the EPC,[8] as well as the Community Patent Convention.[9] This would have meant that ECJ's decisions would have also indirectly impacted EPC contracting states outside the Community patent system, as the ECJ would have been called upon to interpret provisions of the EPC. Surprisingly, from today's perspective, this proposal was not particularly contested. This can be explained by the fact that on the one hand the ECJ did not have the political weight and influence that it has today and on the other, patents and patent law were a much less controversial subject than they are today. Furthermore, there was the general political atmosphere in the 1970s to strengthen the European institutions.

Finally, the ECJ would have been in charge of appeals in relation to disputes between European Community (EC) member states regarding the interpretation of the CPC, after a first intervention by the Select Committee of the Administrative Council.[10] This approach was copied

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any rule of law relating to its application, in so far as that rule of law is not a national provision. The Court of Justice shall not examine the facts as determined in the decision of the Revocation Board.

3. The further appeal shall be open to any party to proceedings before a Revocation Board adversely affected by its decision.

4. The further appeal shall be lodged with the Court of Justice within two months of the date of notification of the decision of the Revocation Board.

5. The further appeal may be made even if the Community patent has lapsed.

6. If the Court of Justice remits the case for further prosecution to the Revocation Board, that department shall be bound by the ratio decidendi of the Court of Justice, in so far as the facts are the same."

[8] Article 73 CPC 1975: Preliminary ruling by the Court of Justice of the European Communities:

"1. In proceedings relating to a Community patent which are brought before a national court or tribunal, the Court of Justice of the European Communities shall have jurisdiction to give preliminary rulings concerning:

(a) the interpretation of this Convention and of the provisions of the European Patent Convention which are binding upon every Community patent in accordance with Article 2(3)."

[9] Part II of the Community Patent Convention provides for substantive patent law provisions.

[10] Article 101(2) CPC 1975.

from the EPC[11] and amended so as to ensure that it was the ECJ and not the International Court of Justice that would deal with a dispute among states party to the CPC.

The role of the ECJ provided for in the CPC was thus threefold:

1) Court instance for a limited remedy in Community patent revocation proceedings with the authority to interpret substantive patent law (found both in the CPC and the EPC),
2) Court instance for preliminary rulings in Community patent infringement disputes concerning the interpretation of the EPC and the CPC, and
3) Court instance for the interpretation of the CPC in case of a dispute among the CPC contracting states.

The "international" character of the CPC was reinforced by the possibility for contracting states to the EPC, outside the European Economic Community (EEC), to be granted the right to accede to the CPC. Nevertheless, the membership of this convention was meant to be initially limited to the EEC with its new members having to accede to the Convention upon joining the EEC.[12] As for non-EEC member states, they would be enabled to join the CPC via the following provision:

> Art. 96: The Council of the European Communities may, acting by a unanimous decision, invite a State party to the European Patent Convention which forms a customs union or a free trade area with the European Economic Community to enter into negotiations with a view to enabling that third State to participate in this Convention on the basis of a special agreement, to be concluded between the States parties to this Convention and the third State concerned, determining the conditions and details for applying this Convention to that State.

Therefore, at the time of the CPC, it was foreseen that states not members of the EEC, now the European Union (EU), could join a community patent system, falling under the jurisdiction of the ECJ.

However, this first agreement for a European "unitary patent", developed in parallel to the EPC, did not manage to attract sufficient support in order to enter into force, mainly due to its heavy language

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[11] Article 173(2) EPC.
[12] Article 95(3) CPC 1975.

regime[13] and mandatory bifurcation,[14] and due to its onerous ratification requirements.[15]

2.1.2 Luxembourg Agreement of 1989

The next promising attempt at creating a common European patent stemming from the Community Patent Convention of 1975[16] was the Agreement relating to Community Patents of 1989, the so-called Luxembourg Agreement and its Protocol on Litigation.[17]

According to the Protocol on Litigation, designated national courts, to be branded as Community Patent Courts, would have been vested with the competence to hear first instance infringement cases,[18] together with any counter-claims for revocation. Hence, national courts would have been able to revoke a patent, with effect in the entire EC[19] – an element of the proposal which triggered great concern for legal uncertainty amongst interested parties, in particular due to the fact that not all EC member states had courts experienced in patent litigation.[20] In order to then centralize the second instance and harmonize patent validity and infringement decisions, an appeal court common to the contracting states of the Luxembourg Agreement would have been created: the new Community Patent Appeal Court Common to Contracting States (COPAC).[21]

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[13] Article 33(1) CPC, for instance, provides that claims have to be translated in all languages of the Community.

[14] W L Haardt fn. 6, 334.

[15] The Convention must have been ratified by all signatory States (see Article 94 CPC); as for new members of the Community, they were under the obligation of acceding to the Convention: "Article 95(3) CPC: The Contracting States hereby recognize that any State which becomes a member of the European Economic Community must accede to this Convention."

[16] Article 1 Luxembourg Agreement.

[17] Agreement relating to Community Patent (Luxembourg Agreement), 89/695/EEC and Protocol on Settlement of Litigation on Infringement and Validity of Community Patents (Protocol on Litigation), Official Journal of the European Communities, OJ L 401, 30.12.1989.

[18] Article 1 and 15–20 of the Protocol on Litigation, ibid.

[19] The first proposal was for national courts' decisions on patent validity to only have an *inter partes* effect and that only a Common Appeal Court could revoke *erga omnes* a Community patent: see W L Haardt, fn. 6, 334.

[20] Promoting innovation through patents, Green Paper on the Community patent and the patent system in Europe, Brussels, 24.06.1997, COM (97) 314 final, 7.

[21] Article 5 and recital 9 Luxembourg Agreement.

Preliminary referrals to the ECJ would have been allowed from the COPAC in accordance with Article 2(2) of the Luxembourg Agreement, "in order to ensure the uniformity of the Community legal order [...] and whenever there is a risk of an interpretation of this Agreement being inconsistent with that [EC] Treaty". In contrast to the CPC, the role of the ECJ in the 1989 proposal concerning the interpretation of law was much more limited and was reduced to ensuring the uniformity of the Community legal order. An interpretation authority of the EPC as foreseen in the CPC was no longer provided. Preliminary referrals would have also been possible from designated national courts on certain jurisdictional matters.[22]

Similar to the CPC, it was proposed that non-EEC member states could join the Luxembourg Agreement, upon unanimous decision of the Council of the EC, again on the condition that said third states be party to the EPC and form a customs union or a free trade area with the EEC.[23]

As it was the case with the initial proposal for a common European patent, the Luxembourg Agreement had to be ratified by all member states of the EEC[24] and any new member state of the EEC had to accede to the Agreement.[25] This onerous ratification requirement, along with the convoluted litigation arrangement and translation requirements, were once more an impediment to the realization of this revised agreement.

2.1.3 Outcome of initial Community patent initiatives

Given the unsuccessful attempts at creating a unitary European patent through the CPC and its revised version under the Luxembourg Agreement in 1989, the European Commission published in 1997 the "Green Paper on the Community Patent and the patent system in Europe" with a questionnaire on the European patent system.[26] The paper had as its objective to outline the situation concerning the protection of innovation by the patent system in the Community and to examine whether new measures would be necessary, what these new measures could be and what form they could take. The final goal of the Commission was to gather information on the actual needs of the interested circles by way of a comprehensive survey, not least to find out the standpoints of the

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[22] Article 3(1) and (2) Luxembourg Agreement.
[23] Article 8 Luxembourg Agreement.
[24] Article 6(2) Luxembourg Agreement.
[25] Article 7(3) Luxembourg Agreement.
[26] Green Paper on the Community patent and the patent system in Europe, fn. 20.

member states and assess whether a new Community initiative could successfully be concluded. Following the consultation process of the Green Paper, the European Commission issued a follow-up with a communication paper in early 1999.[27] It declared the Community patent as a new priority that should be introduced in the form of a Community Regulation based on Article 235 EC Treaty, instead of via an international agreement:[28]

> It emerged clearly from the consultation that, at this stage in the completion of the internal market, the Community patent should be introduced in the form of a Community Regulation based on Article 235 of the EC Treaty. Such an instrument is greatly preferred to an international convention owing to its specific features (easier to include in the "acquis communautaire" in the context of enlargement, direct effect in all the Member States, etc.).

2.2 Community Patent Regulation and Draft European Patent Litigation Agreement

2.2.1 Community Patent Regulation and draft Council decision establishing the Community Patent Court

As explained earlier, as the Commission's aim to create the Community Patent was not realized either through the CPC or the Luxembourg Agreement, it turned to a new approach: the adoption of a Community Patent Regulation, based on Article 235 EC Treaty (now Article 352 of the Treaty on the Functioning of the European Union (TFEU)). The use of this legal basis is in accordance with what had been done in relation to the Community trade mark and Community design.[29] The first proposal of the Community Patent Regulation in 2000 (CPR 2000) aimed at creating a "symbiosis" between the Regulation and the EPC, by way of the Community acceding to the EPC, with the Community patent becoming a European patent in the sense of the EPC, designating the territory of the Community. Hence only when the Community patent would be granted by the EPO, would it become a Community Patent under the CPR 2000.[30]

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[27] Promoting innovation through patents – The follow-up to the Green Paper on the Community patent and the patent system in Europe of 5.12.1999, COM (99) 42 final.

[28] Ibid., 9.

[29] Proposal for a Council Regulation on the Community Patent, COM (2000) 412 final, 6 and 8.

[30] Ibid., 7f.

Under CPR 2000, as well as under the subsequent 2003 proposal for a Council Decision establishing the Community Patent Court,[31] the judicial system would have been entirely centralized, via the creation of a "Community Intellectual Property Court" (or Community Patent Court, according to the 2003 proposal for a Council Decision[32]) as it was believed that "only a centralized Community court could guarantee without fail unity of law and consistent case law".[33] Under the 2003 proposal for a Council decision, the Court would have consisted of a Court of First Instance and of Appeal, fully integrated in the European judicial system under Articles 225a and 229a of the EC Treaty (now Articles 257 and 262 TFEU)[34] dealing with both infringement and revocation disputes in relation to Community patents.[35] The patent court would have been a judicial panel within the ECJ and appeals would have been heard by the ECJ Court of First Instance.[36]

Therefore, contrary to the proposal under the Luxembourg Agreement, any involvement of national courts on infringement or validity of a community patent would have been avoided,[37] as well as involvement of the EPO on validity cases, as was proposed in the CPC.

In the CPR 2000 a particular mechanism was considered with regard to preliminary rulings by the ECJ. Similar to the system adopted in the 1971 Protocol annexed to the Brussels Convention,[38] it was suggested that a referral to the ECJ could only be made in respect of judgments by the Community Intellectual Property Court of first instance or of appeal

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[31] Proposal for a Council Decision establishing the Community Patent Court and concerning appeals before the Court of First Instance, COM (2003) 828 final, 6.

[32] See the Council's Common Political Approach of the 3 March 2003, Doc. 6843/1/03.

[33] Proposal for a Council Regulation on the Community Patent, fn. 29, 13.

[34] Proposal for a Council Decision establishing the Community Patent Court, fn. 31, 6.

[35] For a more detailed discussion of the structure of the Court and the requirements for judicial office at said court, see p. 7 as well as p. 11 and following of the Proposal for a Council Decision establishing the Community Patent Court and concerning appeals before the Court of First Instance, COM (2003) 828 final.

[36] Article 26 and Article 27 Annex II of the Proposal for a Council Decision establishing the Community Patent Court, COM (2003) 828 final.

[37] Article 46 draft CPR 2000.

[38] Article 4 Protocol on the interpretation by the Court of Justice of the Convention of 27 September 1968 on jurisdiction and the enforcement of judgments in civil and commercial matters.

which have become *res judicata* in order to examine whether or not the interpretation of Community law made by the Community Intellectual Property Court was in conflict with the interpretation handed down by the ECJ.[39] The interpretation given by the ECJ in response to such a request would not affect the decision which gave rise to the request for interpretation. There was no plan to include the possibility of lodging a direct appeal before the ECJ against decisions of the appeal instance of the Community Intellectual Property or to implement a system of preliminary rulings as regards the interpretation of Community law between the Community Intellectual Property Court and the ECJ.

However, this proposal for a simple and general referral mechanism to the ECJ was not pursued in the 2003 proposal for a Council Decision establishing the Community Patent Court. Instead, the 2003 proposal provided that the Council Decision would confer upon the Court of Justice jurisdiction on Community patents. The Court would have had jurisdiction in disputes relating to the infringement or validity of this new title, as well as the Community supplementary protection certificate, the use of the invention after the publication of the Community patent application, the right based on prior use of the invention, provisional and protective measures in the subject matter conferred, damages and compensation.[40]

It goes without saying that under the above constructs of a Regulation and a Council Decision for a Community Patent and Patent Court, it was not foreseen that states not members of the Community could not have participated in the project, given its high degree of integration with the Community's legal and judicial system.

2.2.2 Draft European Patent Litigation Agreement

In parallel to the proposals for a Community patent, EPO's Working Party on Litigation (WPL) and in particular a sub-set of interested States party to the EPC,[41] were working on developing a court common to EPC's contracting states: the European Patent Judiciary (EPJ), dealing with European patents' infringement and revocation disputes. The project

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[39] Proposal for a Council Regulation on the Community Patent, fn. 29, 17.

[40] Proposal for a Council Decision establishing the Community Patent Court, fn. 31, 6.

[41] S Luginbuehl, "The Future of Centralised Patent Litigation in Europe: Between the EPLA and the EU Patent Judiciary" in S Leible and A Ohly (eds), *Intellectual Property and Private International Law*, Tübingen: Mohr Siebeck (2009), 232; This sub-group included in particular France, Germany, the United Kingdom, the Netherlands, Denmark, Finland, Sweden and Switzerland.

for this court was launched in 1999, at the Paris intergovernmental conference of the EPC contracting states.

This EPJ would have been open to all contracting states of the EPC, irrespective of whether they were also members of the Community or not. It would have been created as an international organization,[42] independent of the European Patent Organisation and would have included a Court of First Instance, a Court of Appeal and a Registry, as well as an Administrative Committee, acting as supervisory body.[43] The Court of First Instance would have comprised a Central Division set up at the seat of the European Patent Court, along with Regional Divisions of the Court of First Instance, to be set up in Contracting States.[44]

An important aspect under the European Patent Litigation Agreement (EPLA) was to ensure the primacy of the Community's legal order.[45] To do so, the Agreement provided for a mechanism by which preliminary rulings could be given by the ECJ under Article 234 EC Treaty (now Article 267 TFEU). This mechanism allowed EPLA contracting states, which were also Community member states, to designate the EPJ as their national patent court for the purpose of Article 234 EC Treaty.[46] Furthermore, Article 40(2) of the draft EPLA provided that: "The preliminary rulings of the Court of Justice of the European Communities shall be binding on the European Patent Court in so far as the latter's decisions take effect in one or more of the Contracting States which are also Member States of the European Community."

The scope of preliminary rulings was to include matters of Community law only, and no substantive law of the EPC or the EPLA itself. Hence the power of the ECJ in the context of the EPLA would have been limited to Community law. Nevertheless, the EPLA provides an interesting construct for an international jurisdiction including both EU and non-EU member states, by which preliminary ruling would be given by the ECJ on request of the patent court and with applicability of the ruling only to EU member states. A consequence of such a construct would have been a split of jurisprudence with regard to substantive patent law applicable to European patents. This was acceptable for all the states that signaled their interest in participating in the EPLA as the substantive patent law of the EC was limited to the biotech directive.

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[42] Article 6 draft Agreement on the establishment of a European patent litigation system (draft EPLA), WPL, 16.2.2004.

[43] Article 3 draft EPLA.

[44] Article 7 draft EPLA.

[45] Recital 5 draft EPLA.

[46] Article 40(1) draft EPLA.

2.2.3 Outcome from the draft Community Patent Regulations and draft European Patent Litigation Agreement

In 2003, the common political approach adopted by the European Council on 3 March essentially stalled the EPLA project due to the renewed enthusiasm for the Community patent and its own patent litigation system.[47] However, in the years to come the CPR 2000 was not realized, essentially due to disagreement on the translation requirements, as well as the lack of clear advantages of having a Community patent, in comparison to the existing European patent system.[48] Furthermore, during hearings held in 2006 by the Commission on the future of patent policy in Europe, which were used to give the debate on Community Patent new momentum,[49] users indicated that the adoption of the EPLA was a clear priority, hence pushing the projects away from the Community Patent towards the EPLA proposal. Meanwhile, the Community had established a shared competence with its member states for the negotiation of EPLA, following the EU Enforcement Directive[50] and would have needed a mandate to negotiate and conclude the EPLA at a diplomatic conference:[51]

> Some Member States perceive the EPLA process as an avenue where progress could be made quickly. These countries are in favour of an active participation of the Community in the EPLA process. Involvement of the Community is required as the EPLA, an international treaty with the participation of EPC members which are non-EU countries, touches on subjects which are already covered by EC legislation (aquis communautaire). The Member States in favour of the EPLA process would thus want the Commission to ask for negotiating directives, and the Council to grant such directives, to allow the Community to enter into negotiations on EPLA.

Yet, this mandate was not established due to debates between EC member states as to the nature of the patent jurisdiction, with France particularly supporting a patent jurisdiction closer in architecture to the Community's legal architecture.[52]

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[47] Community Patent, Common Political Approach, Council of the European Union, Doc. 7159/03

[48] S Luginbuehl, fn. 41, 234.

[49] Ibid., 235.

[50] Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights.

[51] Communication from the Commission to the European Parliament and Council, Enhancing the patent system in Europe, COM (2007) 165 final, 9 ff.

[52] "France: Why we oppose the EPLA", Managing Intellectual Property News, 1 January 2007, accessed 12 October 2017 at www.managingip.com.

2.3 Genesis of the European and Community Patent Court Proposal

In 2008, after the EU Competitiveness Council decided a few months earlier to resume as soon as possible the work halted on the Community patent,[53] the Slovenian EU presidency submitted to the EU Council working group on intellectual property (patents) a working document containing a draft Agreement on the European Union Patent Judiciary.[54] In order to strengthen the link between the future patent court and the ECJ – as desired in particular by France – the Slovenian EU presidency in its proposal provided for a different role of the ECJ than what was foreseen under the draft EPLA. Instead of limiting the role of the ECJ to issue preliminary rulings as regards the interpretation of Community law it was suggested to introduce a provision stipulating that decisions given by the Court of Appeal of the EC patent judiciary may be subject to further appeal before the ECJ on points of law.[55] This proposal for a petition for further appeal on legal questions was clearly influenced by the French legal system and its *cour de cassation* which acts as third instance dealing with appeals relating to the interpretation of law. It would have made the ECJ a court in the EU Patent Litigation System which would have decided at the third instance on legal questions (in particular as regards substantive patent law) and which could have quashed the judgments rendered by the second instance, if it did not agree with its legal analysis. However, in contrast to the period when the CPC was negotiated, a majority of EC member states were rather reluctant vis-à-vis this proposal to make the ECJ an appeal instance, in particular as it would have had the opportunity to interpret substantive patent law. Nevertheless, France, which was particularly in favor of such a petition for further appeal in the European patent litigation system, was one of the main drivers to request a written opinion of the Council Legal Service on the compatibility of the proposed draft Agreement on a European Union Patent Judiciary with the EC Treaty, and the proposed role of the ECJ as cassation instance. In its opinion,[56] the Council Legal Service concluded that the situation was not an *acte clair*:

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[53] See in this regard S Luginbuehl, fn. 41.

[54] Draft Agreement on the European Union Patent Judiciary, Council of the European Union, Doc. 9124/08.

[55] Article 48 Draft Agreement on the European Union Patent Court and draft Statute, Council of the European Union, Doc. 14970/08.

[56] Document of the Council 15487/08 of 10 November 2008.

(23) the fact that the Court of Justice would be the highest interpreter of law in the new patents jurisdictional system and that its decisions would be binding in the Community (and in the territory of third countries parties to the Agreement) would constitute a safeguard of the autonomy of the Community legal order. In order to strengthen such a safeguard, the draft Agreement should clearly state the principle of primacy of Community law within the Community, so that there is no doubt that the new patents courts (and the Court of Justice) should apply the EPC in a way which is consistent with Community law. (24) Anyhow, the main legal objection to the draft Agreement would precisely be that, by providing for the possibility of a further appeal before the Court of Justice on points of law of any appeal judgment from the envisaged new patents courts, the powers being vested on the Court of Justice would go beyond the powers conferred on it by the Treaty and, possibly, beyond what may be compatible with the Treaty. (25) One has to stress that the Treaty does neither confer nor allow to confer jurisdiction on the Court of Justice to interpret and apply national law on disputes concerning patents[57] (Article 229a EC gives the power to the legislator to conferring jurisdiction "in disputes relating to the application of acts [...] which create Community industrial property rights"). In so doing, the draft Agreement would confer new competences on the Court of Justice. The legality of conferring such new powers is the main question to be addressed. (26) The Court of Justice has already stated that an international agreement concluded by the Community may confer new powers on the Court or other institutions, provided that, in so doing, it does not change the essential character of the powers conferred on the Community institutions by the Treaty.[58] [...] (27) However, the Court has not yet had the opportunity to rule on the legality of conferring on it new powers related to disputes which would not be the kind of disputes in respect of which its intervention is foreseen in the Treaty, i.e. adjudicating in disputes between private parties (sometimes concerning the application of national law).

A large majority of the member states of the EC shared the view of the Council Legal Service that the approach of having the ECJ act as cassation instance with regard to disputes related to Community patents and European patents could alter the essential character of the ECJ's function as conceived by the EC Treaty. In addition, as with the majority

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[57] In Order, case T-295/05, Document Security Systems, ECR (2007), II-2835, the Court of First Instance stated that "no provision of Community law confers on the Court of First Instance jurisdiction to give judgment on patent infringements. Patent infringement proceedings do not appear amongst the type of actions in respect of which jurisdiction is conferred upon the Community courts by Articles 220 to 241 EC."

[58] Opinion 1/92, European Economic Area II, ECR [1992], I-2825, paragraph 32 and opinion 1/00, European Common Aviation Area, ECR [2002], I-3493, paragraph 20.

of EC member states, practitioners were opposed to giving the ECJ direct authority concerning the interpretation of substantive patent law by way of an appeal.[59] Therefore, Article 48 of the renamed draft European and Community Patents Court Agreement (the ECPC Agreement) was revised in order to again limit the role of the ECJ to only render preliminary rulings regarding the interpretation of Community law:[60]

> Article 48(1) When a question of interpretation of the Treaty establishing the European Community or the validity and interpretation of acts of the institutions of the European Community is raised before the Court of First Instance, it may, if it considers this necessary to enable it to give a decision, request the Court of Justice of the European Communities to decide on the question. Where such question is raised before the Court of Appeal, it shall request the Court of Justice of the European Communities to decide on the question.
>
> (2) The decision of the Court of Justice of the European Communities on the interpretation of the Treaty establishing the European Community or the validity and interpretation of acts of the institutions of the European Community shall be binding on the Court of First instance and the Court of Appeal.

This would have meant that the non-EC contracting states of the ECPC for which the ECPC would have been open to accession would have also

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[59] Cf. A Johnson, "Will the CJEU Spell the End of the Road for a Pan-European Patents Court?" (October 2010) Intellectual Property magazine, 18 ff, 19; T Lock, "Taking National Courts More Seriously? Comment on Opinion 1/09", European Law Review (2011), 576 ff; 587. This reluctance of providing the ECJ with the possibility to construe substantive patent law became even more pertinent in the discussions on the EU Regulations establishing a unitary patent where in the end it was decided to delete all substantive patent law in Regulation 1257/2012. See in this regard also H Ullrich, "The Property Aspects of the European Patent with Unitary Effect – A National Perspective for a European Prospect?" in I Govaere and D Hanf (eds), *Scrutinizing Internal and External Dimensions of European Law*; *Liber Amicorum Paul Demaret*, vol I, ser Cahiers du Collège d'Europe/College of European Studies – vol 17, Bruxelles: Peter Lang (2013), 481 ff.; J Drexl, "Einheitlicher Patentschutz durch Kollisionsrecht" in W Büscher, W Erdmann, A Fuchs, V M Jänich, M Loschelder, M-R McGuire (eds) *Rechtsdurchsetzung, Rechtsverwirklichung durch materielles Recht und Verfahrensrecht*, Festschrift für Hans-Jürgen Ahrens zum 70. Geburtstag, Köln: Carl Hemanns Verlag (2016), 165ff; C Wadlow, "Hamlet without the Prince: Can the Unitary Patent Regulation Strut its Stuff without Articles 6–8?", JIPLP (2013) 207 ff.

[60] Article 48 draft Agreement on the European and Community Patents Court and Draft Statute, Council of the European Union, Doc. 7928/09.

been indirectly bound to the interpretation of Community substantive patent law. However, it should be noted that these states have never been invited to the negotiations for an ECPC.

The Council agreed with the Council Legal Service that the draft ECPC Agreement should be submitted to the ECJ for an opinion under Article 300(6) EC Treaty (now Article 218(11) TFEU) to determine whether the envisaged agreement involving third states is compatible with the Community Treaties.

A request for an opinion with regard to an agreement to be concluded between the EC and non-EC member states can be submitted once the purpose and the content of the agreement and the matters it must govern are sufficiently described.[61] The fact that negotiations are still ongoing and that a number of alternatives are still open does not prevent the ECJ from giving its opinion once the submitted documents and information provided at the hearing are sufficiently clear.[62] Furthermore, it is required that negotiations for the agreement are commenced.[63] Therefore, the Council Legal Service held that the opinion could only be requested once recommendation had been submitted to the Council by the Commission to authorize it to open the necessary negotiations with third states, that is, non-EC states. In March 2009 the European Commission adopted its recommendation to the Council with a view to authorizing it to open negotiations for the adoption of an Agreement creating a Unified Patent Litigation System.[64] In summer 2009, and after intensive debates on what the contents of the request should be, the Council submitted to the ECJ the following simple question: "Is the envisaged Agreement creating Unified Patent Litigation System (currently named European and Community Patents Court) compatible with the provisions of the Treaty establishing the European Community?"[65]

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[61] Opinion 1/75 [1975] ECR 1355; opinion 1/78 [1979] ECR 2871.

[62] Opinion 1/78, fn. 61, N 32 ff.

[63] Ibid. N 32 to 35.

[64] Recommendation from the Commission to the Council to authorise the Commission to open negotiations for the adoption of an Agreement creating a Unified Patent Litigation System, SEC (2009) 330 final, 20.3.2009.

[65] CJEU's opinion was based on the following versions of the proposal (please note that, at the time of submitting the proposals to the CJEU, the terminology of the draft had not yet been adapted to the terminology of the Lisbon Treaty): Council Document 8588/09 of 7 April 2009 on a revised proposal for a Council Regulation on the Community patent; Council Document 7928/09 of 23 March 2009 on a revised Presidency text of the draft Agreement on the European and Community Patents Court and the draft Statute of that court.

3. OPINION 1/09 OF THE COURT OF JUSTICE OF THE EU

The ECJ – renamed the Court of Justice of the EU (CJEU) after the entry into force of the Lisbon Treaty – made clear in its Opinion 1/09[66] that the draft ECPC Agreement was not compatible with European Union law. A negative opinion was to be expected after the Advocates General's statement of position regarding Opinion 1/09 revealed severe doubts as to the compatibility of the draft ECPC Agreement[67] with the EU Treaties. Nevertheless, the opinion was met with strong reactions from interested circles, the academia and others.[68]

In its opinion, the CJEU held that the essential characteristics of the EU legal order are in particular its primacy over laws of the EU member states and the direct effect of a whole series of provisions which are applicable to their nationals and to the EU member states themselves.[69] The guardians of this legal order and the judicial system of the EU are the CJEU and the courts and tribunals of the EU member states.[70]

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[66] Opinion 1/09, ECR [2011] I-01137.

[67] Statement of position by the advocates general, presented on 2 July 2010, Opinion 1/09, request for an opinion of the Council of the European Union. See in this regard Johnson, fn. 59, 18 f; E Bonadio, "ECJ Advocate General Rejects EU Patent Litigation Scheme", JIPLP (2010), 826 f.

[68] Cf. inter alia J Nurton, "EU Patent is Now Nice Bullets, No Gun", MIP (8 March 2011); W Tilmann and L Whiting, "CJEU Has Spoken, But what Will Become of the Unitary Patent and the European Patent Court?", WIPR (06/2011), 46 f; D Stauder, "Europäische Patentgerichtsbarkeit – Wie geht es weiter nach dem Gutachten O 1/09 des EuGH?", sic! (2011), 351 ff.; E Ellyne, "European Patent Law: A Foreseeable Future in the Wake of the European Court of Justice Opinion 1/09 on the Compatibility of the Draft Agreement Creating a Unified Litigation Patent System with the Founding European Treaties?", Queen Mary Journal of Intellectual Property (2012), 343 ff.; A Poore, "The European Union Patent System: Off Course or On the Rocks?", EIPR (2011), 409 ff.; J Gaster, "Das Gutachten des EuGH zum Entwurf eines Übereinkommens zur Schaffung eines Europäischen Patentgerichts", EuZW (10/2011), 394 ff; T Lock, "Taking National Courts More Seriously? Comment on Opinion 1/09", European Law Review (2011), 576 ff; M Müller, "Begrenzte Möglichkeit der Gründung eines Eurooäischen Patentgerichts – Anmerkung zum Gutachten 1/09 des EuGH vom 8.3.2011", EuR (2011), 575 ff.; J Herr and M Grunwald, "Schwerer Rückschlag für die europäische Patentgerichtsbarkeit", EuZW (09/2011), 321 f.

[69] Opinion 1/09, fn. 66, N 65 and Opinion 1/91, ECR (1991), I-6079, N 21.

[70] Opinion 1/09, fn. 66, N 66.

The CJEU observed that under the draft ECPC Agreement, the ECPC would fall outside the institutional and judicial framework of the European Union.[71] The ECPC, contrary to the Benelux Court of Justice, is not a court common to a number of EU member states, situated within the judicial system of the EU.[72] It is an organization with a distinct legal personality under international law.[73] The ECPC takes the place of national courts and tribunals in the field of its exclusive jurisdiction (i.e. infringement and revocation actions in relation to Community patents and European patents, as well as other actions) hence depriving those courts and tribunals of their power to request preliminary rulings from the CJEU in that field. The ECPC would have therefore become, in the field of its exclusive jurisdiction, not only able to interpret and apply Union law, but also the sole court able to communicate with the CJEU by means of a reference for a preliminary ruling.[74]

Furthermore the CJEU held that, if a decision of the ECPC were to be in breach of Union law, it could not be the subject of infringement proceedings nor could it give rise to any financial liability on the part of one or more EU member states. As a consequence the draft ECPC Agreement would alter the essential character of the powers conferred on the institutions of the EU and on the EU member states, which is indispensable to the preservation of the very nature of EU law.

The question of whether the CJEU could act as a cassation instance in the ECPC system was not addressed. This was not a surprise in light of the statement of the Advocates General regarding Opinion 1/09[75] where it was stressed that under the principle of institutional balance, it is not up to the CJEU to indicate what constitutes a more appropriate remedy. This falls within the competence of the political authorities of the Union.

Nevertheless, it is interesting to note that the Advocate General agreed with the French government that different options would exist in order to guarantee the correct and uniform application of Union law by the ECPC. In particular, she held that:

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71 Ibid., N 71.
72 Ibid., N 82.
73 Ibid., N 71.
74 Ibid., N 79.
75 See references in fn. 67.

> 113. [...] Consequently, one could consider submitting judgments of the PC [ECPC] Court of Appeal to the control of the European Court of Justice, pursuant to article 262 TFEU. This control could be exercised in different ways: by an appeal on points of law (open to parties to the dispute before the PC Court of Appeal), by an appeal in the interests of the law (open to the Commission and/or to the Member States and/or to the EPO, along the lines of the former article 68, paragraph 3, EC) or even by a re-examination mechanism (along the lines of the provisions of article 256, paragraphs 2 and 3, TFEU [meaning that the Court could serve as an appellate court for judgments rendered by the ECPC, with the type of review to be determined in the applicable law of the ECPC]).
>
> 114. Contrary to what the Commission maintains, the introduction of such additional mechanisms (appeal on points of law, appeal in the interests of the law or re-examination procedure) would not lead to a misinterpretation of the role of the European Court of Justice. The Court of Justice could certainly then be called upon to intervene in two different ways in the same dispute pending before the PC: firstly preliminarily, i.e. under cooperation proceedings, and secondly following an appeal or a petition for re-examination. However, the two types of intervention would not apply simultaneously and would not be combined. They would not necessarily raise the same points of law. Moreover, the preliminary proceedings would remain the rule, while the appeal or re-examination procedures would be the exception; the latter would only arise in the event of infringement of Union law by the PC or following the PC's refusal to apply a preliminary reference or to comply with the preliminary judgment of the Court of Justice.

Consequently, it was up to the political bodies in the context of the implementation of Opinion 1/09 to determine the exact role of the Court of Justice in the revised draft for an ECPC Agreement.

3.1 The Amendment of the ECPC Agreement with a View to Opinion 1/09

As a reaction to Opinion 1/09 of the CJEU, the Commission's Legal Service issued a non-paper[76] with possible solutions for a newly renamed Unified Patent Litigation System. It felt that a unified patent court could only be set up as a court common to a number of EU member states, situated within the judicial system of the EU.[77] Due to the fact that the agreement would not be open to non-EU member states, it would not be

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[76] Creating a Unified Patent Litigation System – Orientation debate, Council of the European Union, Doc. 10630/11, Annex II

[77] Cf. also W Tilmann and L Whiting, fn. 68, 46 f.

required that the EU be party to the agreement. Consequently, the Commission's Legal Service qualified the approach to establish a European Patent Court based on an international treaty as the best if not the only way forward concerning the establishment of a patent litigation system. It also made it clear that the unified patent court should be fully situated within the judicial system of the Union and that guarantees would be required to ensure the respect of Union law by the unified patent court.

Following the Legal Service's opinion, the European Commission proposed to qualify the unified patent court as a court common to EU member states.[78] On the one hand, this ensures that the unified patent court has the same obligations as the national courts of the EU member states on the basis of the EU Treaties, that is, it has to respect Union law and file requests for preliminary rulings in accordance with the conditions applicable to national courts. Therefore, in contrast to the different additional options elaborated by the Advocate General as indicated above (i.e. appeal or a petition for re-examination), the European Commission suggested to keep the competence of the CJEU as regards the interpretation of Union law to the rendering of preliminary rulings.

On the other hand, it proposed that sanctions in the form of infringement proceedings and financial liability could be jointly imposed on the EU member states participating in the unified patent court in the case where the unified patent court violated Union law.

Against the background of these proposals, it comes as no surprise that the European Commission followed the Legal Service's opinion and suggested limiting the participation in the European patent litigation system to EU member states as it would have seemed difficult for some non-EU member states to accept these basic requirements due to sovereignty reasons.

The proposals of the European Commission had found wide support at the Competitiveness Council meeting of 30 May 2011. Under Hungarian and Polish EU presidencies the draft agreement was revised and inter alia a new chapter IIIA – The primacy and interpretation of Union law – was introduced to the once again renamed "Draft Agreement on a Unified Patent Court and draft Statute" (draft UPCA).[79]

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[78] Cf. critique by F de Visscher, "European Unified Patent Court: Another More Realistic and More Equitable Approach Should be Examined", GRUR Int. (2012), 214 ff., 219 f.

[79] Draft Agreement on a Unified Patent Court and draft Statute, Council of the European Union, Doc. 11533/11 and 13751/11.

In order to take account of Opinion 1/09 it was thus decided to make it clear in Article 1 of the draft Agreement that the Unified Patent Court (UPC) is a court common to the EU member states and thus subject to the same obligations under Union law as any of their national courts. Furthermore, it was suggested to introduce Article 14a draft UPCA (now Article 20 UPCA) which clarifies that the UPC has to apply Union law in its entirety and respect its primacy. A new Article 14b draft UPCA (now Article 21 UPCA) provided for a clear reference to Article 267 TFEU aiming to ensure that the UPC is considered competent to ask preliminary rulings from the CJEU. The reference to Article 267 TFEU provides the basis to file appeals against EU member states on the grounds of Articles 258 and 260 TFEU and to keep the states liable[80] if the UPC were to breach Union law. This was codified in Article 14c draft UPCA (now Article 22 UPCA). Article 14d draft UPCA (Article 23 UPCA) clarified that the actions of the UPC are directly attributable to each EU member state participating in the agreement.

These proposals were further refined but the general approach as regards the role of the CJEU did not change again before the UPCA was adopted at the Diplomatic Conference of 19 February 2013.[81] The respective provisions of the UPCA are as follows:

> Chapter IV – The primacy of Union law, liability and responsibility of the Contracting Member States.
>
> Article 20 Primacy of and respect for Union law
>
> The Court shall apply Union law in its entirety and shall respect its primacy.
>
> Article 21 Requests for preliminary rulings
>
> As a court common to the Contracting Member States and as part of their judicial system, the Court shall cooperate with the Court of Justice of the European Union to ensure the correct application and uniform interpretation of Union law, as any national court, in accordance with Article 267 TFEU in particular. Decisions of the Court of Justice of the European Union shall be binding on the Court.
>
> Article 22 Liability for damage caused by infringements of Union law
>
> (1) The Contracting Member States are jointly and severally liable for damage resulting from an infringement of Union law by the Court of

[80] Gerhard Köbler v Republik Österreich, CJEU judgment of 30 September 2003, C-224/01.

[81] Agreement on a Unified Patent Court, OJ EU of 20.6.2013, C175/01.

Appeal, in accordance with Union law concerning non-contractual liability of Member States for damage caused by their national courts breaching Union law.

(2) An action for such damages shall be brought against the Contracting Member State where the claimant has its residence or principal place of business or, in the absence of residence or principal place of business, place of business, before the competent authority of that Contracting Member State. Where the claimant does not have its residence, or principal place of business or, in the absence of residence or principal place of business, place of business in a Contracting Member State, the claimant may bring such an action against the Contracting Member State where the Court of Appeal has its seat, before the competent authority of that Contracting Member State. The competent authority shall apply the lex fori, with the exception of its private international law, to all questions not regulated by Union law or by this Agreement. The claimant shall be entitled to obtain the entire amount of damages awarded by the competent authority from the Contracting Member State against which the action was brought.

(3) The Contracting Member State that has paid damages is entitled to obtain proportional contribution, established in accordance with the method laid down in Article 37(3) and

(4) from the other Contracting Member States. The detailed rules governing the Contracting Member States' contribution under this paragraph shall be determined by the Administrative Committee.

Article 23 Responsibility of the Contracting Member States

Actions of the Court are directly attributable to each Contracting Member State individually, including for the purposes of Articles 258, 259 and 260 TFEU, and to all Contracting Member States collectively.

The articles under new Chapter IV of the UPCA are clearly constructed to address the different concerns voiced by the CJEU's Opinion by providing a strong guarantee[82] for the safeguard of the European legal order.

4. SUMMARY AND CONCLUSION

Reflecting the rather innocent political times of the 1970s as regards patent law and the role of the CJEU, it was foreseen that under the CPC

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[82] See also M Leistner and P Simon, "Auswirkungen des Brexit auf das europäische Patentsystem", GRUR Int. (2017), 825 ff., 827; A Ohly and R Streinz, "Can the UK stay in the UPC system after Brexit?", GRUR Int. (2017), 1 ff., 5.

approach, the CJEU could have interpreted substantive patent law provided both under the EPC as well as under the CPC. This was changed under the 1989 Luxembourg Agreement where the role of the CJEU was limited to the interpretation of Community law in order to ensure the uniformity of the Community legal order.

With the CPR 2000 and 2003 proposals for a Council Decision creating the Community Patent Court, the role of the CJEU would have changed dramatically with a Community Patent Court, established as a judicial panel within the CJEU with appeals heard by the CJEU Court of First Instance. The patent court would have thus been part of a judiciary fully integrated into the CJEU legal architecture. Preliminary rulings as regards the interpretation of Union law were thus not foreseen in the 2003 proposal for a Council Decision establishing the Community Patent Court. This proposal was in strong contrast to the draft EPLA which proposed that the CJEU only issue preliminary rulings regarding the interpretation of Union law and which would have been binding only on EU member states. As the draft EPLA served as basis for the ECPC, the proposed role of the CJEU was copied and remained as is with the exception that the rulings of the CJEU would have been binding to all contracting states, even indirectly to non-EU member states. However, after Opinion 1/09, the participation in the ECPC and later in the UPCA was limited to EU member states. The French approach to broaden the competence of the CJEU and to make it a true third instance dealing with questions of law was not retained.

The proposed different roles of the CJEU over the decades of discussions on the establishment of a common European Patent Court are thus manifold, reflecting different concepts with a stronger and weaker integration of the court into the EU legal architecture. It will thus also be interesting to see how the discussions on the involvement of the CJEU will continue in the future. This became pertinent with the UK electorate's vote on the Referendum to exit the European Union and its impact on the launching of the UPCA.[83] Following the result, speculations abounded as to the consequences of Brexit on the UPC, as to the legal and a political possibility to continue with the project.

In order to provide some guidance on the decision-making of the UK after Brexit, regarding possible implications of ratifying the UPCA and in particular the viability of continued UK participation in the Unitary

[83] Following the Legal Service's opinion, the European Commission proposed to qualify the unified patent court as a court common to EU member states.

Patent and Unified Patent Court after an effective exit of the UK from the European Union, a legal opinion by Richard Gordon QC and Tom Pascoe of Brick Court Chambers was mandated by the IP Federation, the Chartered Institute of Patent Attorneys (CIPA) and the Intellectual Property Law Association (IPLA). The "Gordon Pascoe Opinion"[84] suggested that, given certain legal guarantees, the current system does not preclude UK's participation, even once it is no longer an EU member state, albeit it would have to accept the primacy of current and future EU law and jurisprudence of the CJEU with regard to matters dealt before the UPC.

In November 2016 the UK announced at the Competitiveness Council[85] that it intends to continue with its ratification procedure.

On 26 April 2018 the UK deposited the required ratification instrument in Brussels and thus indicated its consent to be bound to the agreement.

However, the UK in its statement at the Competitiveness Council also made clear that the decision to proceed with the ratification should not be seen as pre-empting the UK's objectives or position in the forthcoming Brexit negotiations with the EU. The results of the negotiations between the EU and the UK concerning its withdrawal from the EU will thus also reveal whether it is possible for the UK to continue to participate in the UPCA and if yes, under which conditions.[86] The results of these discussions will be particularly interesting, with a view to expected proposals to also open up the agreement to other non-EU member states in a European Patent Court system.

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[84] "Re the Effect of 'Brexit' on the Unitary Patent Regulation and the Unified Patent Court Agreement" (the Gordon/Pascoe Opinion), accessed 10 September 2018 at http://www.eip.com/assets/downloads/gordon-and-pascoe-advice-upca-34448129-1-.pdf.

[85] See press release on UK's government website, accessed 10 September 2018 at https://www.gov.uk/government/news/uk-signals-green-light-to-unified-patent-court-agreement.

[86] See the UK Government's White Paper on the Future Relationship between the United Kingdom and the European Union, section 1.7.8, paragraph 151, accessed 10 September 2018 at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/725228/The_future_relationship_between_the_United_Kingdom_and_the European_Union.pdf

Section 3 Intellectual Property and the Unified Patent Court

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7. Decision-making in the Unified Patent Court: ensuring a balanced approach

Clement Salung Petersen and Jens Schovsbo

1. INTRODUCTION

The Unified Patent Court (UPC) will be a new court system common to the European Union (EU) Member States that adopt the so-called unitary patent package.[1] With exclusive competence to hear most actions concerning European patents (with or without unitary effect), the UPC will become the new judiciary for litigation relating to infringement and validity of such patents in most of Europe.[2] The UPC will also be competent to hear actions against decisions of the European Patent Office

[1] The unitary patent package comprises four legal instruments: Council Decision of 10 March 2011 authorizing enhanced cooperation in the area of the creation of unitary patent protection (2011/167/EU); Regulation (EU) 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection; Council Regulation (EU) 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements and the Agreement on a Unified Patent Court of 11 January 2013 Doc. 16351/12 ('UPCA'), which includes (as Annex I) a Statute of the Unified Patent Court ('UPCS'). Under Article 41 UPCA, the details of the proceedings before the UPC shall be laid down in the Rules of Procedure (RoP). The current (18th) draft is dated 19 October 2015. All documents regarding the UPC are available from the UPC website <www.unified-patent-court.org> accessed 19 September 2017.

[2] As of June 2016, 26 EU Member States take part in the enhanced cooperation concerning the unitary patent, whereas 25 EU Member States have signed (10 of which have also ratified) the UPCA. European patents can have a unitary effect only in those participating Member States in which the UPC has exclusive jurisdiction with regard to European patent with unitary effect at the date of registration. For details see Article 18, Regulation 1257/2012.

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(EPO) relating to European patents with a unitary effect.[3] It is a clear policy aim of the UPC 'to improve the enforcement of patents and the defence against unfounded claims and patents which should be revoked and to enhance legal certainty'.[4] Also the UPC 'should be devised to ensure expeditious and high quality decisions, striking a fair balance between the interests of right holders and other parties and taking into account the need for proportionality and flexibility'.[5]

In the current European patent system, the EPO constitutes a strong and centralized executive arm, whereas the legislature and judiciary are rather weak.[6] This will change with the UPC, which will introduce a centralized judiciary for most of the European patent system. Thus, there is no doubt that the UPC is going to become a *key policy maker* in European patent law. For these reasons, it matters greatly how the UPC is going to perform. We contend that the performance of the UPC cannot be measured only in terms of the concrete outcome of its future judgments in individual cases. These decisions should of course be of a high quality, consistent, well-argued and in conformity with basic legal principles of fairness, correctness and so on. However, the impact and importance of UPC decision-making will extend beyond the direct interests of the parties in individual cases. Firstly, enforcement of patent law involves delineating the scope of patent rights and may involve deciding the validity of patents, both of which also involves a general societal interest.[7] Secondly, the UPC will through its case-law also be shaping patent policy. We contend that the performance of the UPC should, therefore, *also* be measured against general interests and values related to patent law and to developing patent law policies on the basis of democratic principles such as accountability, transparency and legitimacy.

In this regard, it becomes a matter of great importance for the performance of the UPC that the court because of its design will be

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[3] Articles 32(1)(i), 47(7) and 66, UPCA, Rules 85 *et seq.* RoP, and Article 9, Regulation 1257/2012.

[4] UPCA Preamble.

[5] Ibid.

[6] For a collection of analyses see R M Ballardini, M Norrgård and N Bruun (eds), *Transitions in European Patent Law – Influences of the Unitary Patent Package* (Alphen aan den Rijn: Kluwer Law International BV 2015); See also F Baldan and E van Zimmeren, 'The Future Role of the Unified Patent Court in Safeguarding Coherence in the European Patent System' (2015) 51 C.M.L. Rev. 1529–1578.

[7] E.g. R M Hilty, 'The Role of Enforcement in Delineating the Scope of IP Rights' (2015) no 15-03 Max Planck Institute for Innovation & Competition Research Paper.

biased towards technology-based values. These biases are to some extent the necessary and unavoidable costs of a specialized judiciary in a field as technology based as patent law. As we have pointed out elsewhere,[8] we do not question that some of these costs are outweighed by the expected benefits from specialization and experience in terms of consistency and correctness of decisions. Defining the optimum level between the costs and benefits of specialization is hard, however, and steps should be taken in order to minimize the costs of specialization without losing sight of the benefits. On this background, we have argued elsewhere that because of the biases embodied in the UPC institutional setup, there is a risk that non-technical values and interests (such as *ordre public* and morality, competition law and environmental interests) will be either overlooked or underdeveloped in UPC decision-making, and we have recommended that the UPC finds ways to systematically include values and interests lying in the court's blind spots.[9]

In this paper, we will analyse more specifically how these blind spots can be covered in patent litigation before the UPC on the basis of the procedural system which has been established so far. We will focus our attention on the role of the UPC judges and third parties, but we will also address the key role of the parties in establishing a basis for UPC decision-making. We will describe the legal framework of the UPC with a view to determining the room for manoeuvre left for the Court and we will use national and international experiences to recommend how to interpret the existing rules and principles in ways that would help to cover the blind spots identified above.

2. THE UPC JUDGES

In this part, we will show how the UPC judges can play an important role in covering the blind spots mentioned above by contributing to establishing the basis for their decision-making through active case management

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[8] C Salung Petersen, T Riis and J Schovsbo, 'The Unified Patent Court: Pros and Cons of Specialization – Is There a Light at the End of the Tunnel (Vision)?' (2015) International Review of Intellectual Property and Competition Law, 271–274; C Salung Petersen, T Riis and J Schovsbo, 'The Unified Patent Court (UPC) in Action – How Will the Design of the UPC Affect Patent Law?' in R Ballardini, M Norrgård and N Bruun, *supra* footnote 6; C Salung Petersen, T Riis and J Schovsbo 'The Unified Patent Court (UPC), Compulsory Licensing and Competition Law' (2014) Nordiskt Immateriellt Rättskydd 324–339 <ssrn.com/abstract=2489006> accessed 19 September 2017.

[9] Ibid.

(*infra* 2.1) and in their decision-making as such (*infra* 2.2). Following this, we will analyse whether and to what extent the eligibility criteria, the appointment process and the training framework for UPC judges support such a role (*infra* 2.3).

2.1 Active Case Management

Under the UPC legal framework, the parties will play a key role in establishing the basis for UPC decisions. Thus, the UPC shall decide in accordance with the requests submitted by the parties and shall not award more than requested. Also decisions on the merits may only be based on grounds, facts and evidence, which were submitted by the parties (or introduced into the procedure by an order of the Court on which the parties have had an opportunity to present their comments, see *infra*).[10] These principles reflect the role of the Court as an adjudicator of disputes between private parties and the general principle of civil procedural law that the *parties own the(ir) dispute*. Such as starting point may clearly limit the abilities of the UPC to identify non-technical issues and to deal with them in a way which includes also the broader interests and concerns which may be involved. For these reasons, it becomes important whether and to what extent the Court will be able to actively extend the basis for its decisions beyond the information which the parties have supplied. In this regard, the active case management powers of the UPC are of particular importance.

Under the Unified Patent Court Agreement (UPCA), the UPC 'shall actively manage the cases before it in accordance with the Rules of Procedure without impairing the freedom of the parties to determine the subject-matter of, and the supporting evidence for, their case'.[11] These case management powers are quite comprehensive.[12] In particular, the relevant UPC judge(s) may order the parties within a certain time period to provide further clarification on specific points, to answer specific questions or to produce evidence.[13] If a party fails to comply with such an order within the time period specified, it may result in a decision by default.[14]

The UPC judge(s) may use these case management powers to encourage the parties to provide clarification of grounds or facts relevant for

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[10] Article 76, UPCA.
[11] Article 43, UPCA.
[12] See, in particular, Rule 334, RoP.
[13] Rule 334(j) and Rule 103(1), RoP.
[14] Rule 103(2) and Rule 355, RoP.

deciding the dispute as well as to produce evidence. In this context, UPC judges may contribute to establishing a basis for covering the blind spots mentioned above.

However, it is eventually for the parties to decide which grounds, facts and evidence they wish to submit to the court.[15] Default judgment is thus an option only if the parties do not comply with the order at all.

In such cases, where the parties fail to provide necessary clarifications or produce relevant evidence, the UPC has certain powers to seek to establish relevant information of its own motion, in particular by appointing a court expert or asking a third party to consider intervening in the case. The UPC may also make a request for a preliminary ruling from the Court of Justice of the European Union (CJEU).

2.1.1 Court experts

The UPC may at any time of its own motion (and after hearing the parties) appoint a court expert in order to provide expertise for specific aspects of the case.[16] A court expert has an overriding duty to assist the UPC impartially on matters relevant to his/her area of expertise, and the court expert is to be independent and objective, and shall not act as an advocate for any party to the proceedings.[17] Thus, the role of the court expert is to provide impartial and independent expertise to the court.

The role of such a court expert is not limited to providing expertise for *technical* aspects of the case.[18] Therefore, a court expert may also be appointed to provide expertise concerning facts relevant for deciding issues of competition law (such as information about the relevant market and implications of specific market behaviour) and ethical issues.

The court expert will receive a short description of the facts of the action and relevant evidence submitted by the parties.[19] The UPC shall also specify when and under what conditions the expert may receive other relevant information.[20] The court expert shall give expert advice only on the questions which have been put to him/her.[21] These questions may include 'suggestions relating to any experiments to be carried out'.[22]

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[15] Article 43, UPCA.
[16] Article 57, UPCA.
[17] Rule 186(7), RoP.
[18] Ibid. and Rule 185, RoP ('a specific technical question or other question in relation to the action').
[19] Rule 185(4)(b) and (c), RoP.
[20] Rule 185(4)(e), RoP.
[21] Rule 186(3), RoP.
[22] Rule 185(4)(d), RoP.

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These rules on court experts provide the UPC with an important means to seek to cover its blind spots through the involvement of an impartial and independent third party. No doubt this is an important tool to inform the Court about aspects of the case at hand which are otherwise difficult for the parties and the Court to unearth because of their technical biases. The rules can thus be used without consent from the parties and the rules are flexible as to what questions and expertise can be requested. However, since (one of) the parties shall normally pay the costs related to appointing a court expert, the UPC might refrain from using the rules *ex officio* unless clearly needed to resolve a case. We contend that even though the Court should be conscious about the costs of the parties, the litigation costs in patent disputes are often very high and the Court should not for that reason refrain from imposing additional costs on parties which the Court deems to be necessary to make an informed decision which reflects important societal interests.

2.1.2 Third party intervention

The UPC may also of its own motion and after hearing the parties, invite any person concerned by the outcome of the dispute to inform the UPC whether (s)he wishes to intervene in the proceedings in accordance with the rules in the Rules of Procedure (RoP) on intervention.[23] In actions against decisions of the EPO concerning European Patents with unitary effect,[24] the UPC may, of its own motion or on request by the President of the EPO, invite the President of the EPO to comment in writing on any question arising in such proceedings.[25] These rules on intervention can also provide the UPC with an important means to cover its blind spots, and they are discussed further *infra* 3.

2.1.3 Requests for preliminary rulings from the Court of Justice of the European Union

As a court common to the contracting Member States, the UPC may request a preliminary ruling from the CJEU concerning interpretation of the EU treaties and the validity and interpretation of acts of the EU institutions, bodies, offices or agencies.[26] This will include provisions

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[23] See Rule 316, RoP. The rules on intervention are found in Rules 313–317, RoP.

[24] See Article 9, Regulation no 1257/2012 and Rules 85–98, RoP.

[25] Article 94, RoP.

[26] Article 21, UPCA and Article 267, TFEU. In cases for a preliminary ruling, the EU Commission and the EU Member States may intervene before the CJEU.

found in the Treaty on the Functioning of the EU (TFEU)[27] (e.g. the rules on the free movement of goods (Articles 34 and 36) and on competition (Articles 101 and 102 and *infra* 3.2.2)) and the Charter of Fundamental Rights of the European Union[28] (the Charter) (which includes provisions on the protection of human dignity and right to life (Articles 1 and 2), the traditional civil liberties (e.g. freedom of expression and information (Article 11)) and social and economic rights and freedoms (e.g. the protection of property including intellectual property rights (IPR) (Article 17) and the freedom to conduct a business (Article 16)). It also includes secondary EU law instruments such as the Biotech Directive, the Regulations on Supplementary Protection Certificates[29] and the Unitary Patent Regulation. According to Articles 4–6 of the Unitary Patent Regulation, most matters of substantive patent law are, however, governed by national law and are thus outside the (direct) involvement of the CJEU.

The CJEU will also have jurisdiction to give preliminary rulings on the interpretation of international agreements concluded by the Union with third countries or international organizations under the rules in TFEU Articles 216–219. Thus, the CJEU has jurisdiction to interpret at least parts of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement. This includes the central Article 27 on Patentable Subject Matter where the CJEU has for example been called to establish whether a pharmaceutical product such as the active chemical compound of a medicinal product is capable of being the subject-matter of a patent, under the conditions set out in Article 27(1).[30]

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[27] Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union – Consolidated version of the Treaty on the Functioning of the European Union – Protocols – Annexes – Declarations annexed to the Final Act of the Intergovernmental Conference which adopted the Treaty of Lisbon, signed on 13 December 2007, *Official Journal C* 326, 26.10.2012, pp. 1–390.

[28] Charter of Fundamental Rights of the European Union, *Official Journal C* 326, 26.10.2012, pp. 391–407.

[29] Council Regulation (EEC) no 1768/92 of 18 June 1992 concerning the creation of a supplementary protection certificate for medicinal products and Regulation (EC) No 1610/96 of the European Parliament and of the Council of 23 July 1996 concerning the creation of a supplementary protection certificate for plant protection products.

[30] Judgment of the CJEU of 18 July 2013 in Case C-414/11, *Daiichi Sankyo*, ECLI:EU:C:2013:520 (finding, inter alia, 'that Article 27 of the TRIPs Agreement must be interpreted as meaning that the invention of a pharmaceutical product such as the active chemical compound of a medicinal product is, in the

Unlike in copyright, trademark and design law, issues of substantive patent law have not been harmonized in great detail by specific directives and regulations (with the Biotech Directive as a notable exception). The Unified Patent Package has not changed that. On the contrary, the drafters of the new rules skilfully sought to reduce the role of the CJEU by outsourcing the substantive patent law provision to national law. For this reason, the involvement of the CJEU through preliminary rulings will most likely be less frequent in patent law than in the other areas of IPR where the CJEU and Central Court have been central drivers in the development of a body of harmonized law on the basis of directives and regulations.[31] At the same time, however, the EU law interface of patent law might be larger than it appears: issues falling within the rules of the TFEU on competition law, the Charter, certain areas of substantive patent law (as regulated in the Biotech Directive and possibly also as regulated in the TRIPS Agreement) and matters of enforcement (the Enforcement Directive and the TRIPS Agreement) are all covered by the obligations of the UPC to involve the CJEU. These situations in fact provide ample opportunities to get important input to the interpretation from the CJEU. The area is extended by the need of the UPC to clarify areas of doubt as to the competences of the CJEU.

In particular, the reach of the rules and principles of the Charter, which as explained above extend well beyond the classical civil liberties, might make it relevant for UPC judges to pose preliminary questions in areas not clearly anticipated at the present time. Furthermore, the extent of the range of the EU provisions and in particular the Charter develops dynamically over time through the case-law of the CJEU.[32] In this way, the area of patent law covered directly or indirectly by primary or

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absence of a derogation in accordance with Article 27(2) or (3), capable of being the subject-matter of a patent, under the conditions set out in Article 27(1)' (para 68)). For an overview, see Koen Lenaerts, Ignace Maselis and Kathleen Gutman, *EU Procedural Law* (Oxford: Oxford University Press 2014), pp. 226–228.

[31] For the EU, the Court of Justice completed 719 cases in 2014. In the same year, the General Court completed 673 cases and out of these 275 dealt with Intellectual Property Rights (notably trademarks and designs) (up from 417/180 in 2010), <http://curia.europa.eu/jcms/upload/docs/application/pdf/2015-04/en_ecj_annual_report_2014_pr1.pdf> accessed 19 September 2017. See on the effects on copyright for example M Favale, M Kretschmer and P C Torremans, 'Is There an EU Copyright Jurisprudence? An Empirical Analysis of the Workings of the European Court of Justice' (2016) 79(1) The Modern Law Review 31–75.

[32] As an example of the reach of the Charter see the Judgment of the CJEU of 16 July 2015 in Case 170/13, *Huawei Technologies Co. Ltd v ZTE Corp. and*

secondary EU law is in fact rather broad. For this reason, we expect that the option to request a preliminary ruling from the CJEU can potentially provide important input for the UPC within the non-technical blind spots.

2.2 Decision-Making

As already pointed out *supra*, the UPC shall decide in accordance with the requests submitted by the parties and shall not award more than requested.[33] Any decision of the UPC shall contain, inter alia, an indication of the claim, order or remedy sought by the parties, a summary of the facts and the grounds for the decision.[34] Decisions on the merits may only be based on grounds, facts and evidence, which were submitted by the parties or introduced into the procedure by an order of the Court and on which the parties have had an opportunity to present their comments.[35] The latter may include input from court experts and intervening third parties as mentioned *supra*. A decision by default may only be given where the facts put forward by the claimant justify the remedy sought.[36]

The parties might not always address (all) the legal rules which the UPC judges find to be relevant for their decision, including legal rules concerning one or more of the blind spots mentioned above. In such cases, the UPC may use its case management powers (mentioned *supra* 2.1) to encourage the parties to address such legal rules, but eventually

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ZTE Deutschland GmbH, ECLI:EU:C:2015:477 on the admissibility of injunctions regarding Standard Essential Patents under competition law. Here the CJEU remarked that in that situation a balance must be struck 'between maintaining free competition—in respect of which primary law and, in particular, Article 102 TFEU prohibit abuses of a dominant position—and the requirement to safeguard that proprietor's intellectual-property rights and its right to effective judicial protection, guaranteed by Article 17(2) and Article 47 of the Charter, respectively' (para 42). The involvement of the Charter in such a case clearly indicates its potential to be relied upon even in conflicts where the private and economic interests at stake are high but the societal interests at the same time are manifest. See on the impact of Fundamental Rights on IPR the excellent collection of studies in C Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing 2015).

[33] Article 76(1), UPCA.

[34] Rule 350(1), RoP.

[35] Article 76(2), UPCA.

[36] Rule 355(2) and Rule 357(1), RoP.

the UPC judges might find themselves considering a legal rule which a party has not put forward.

As mentioned, decisions on the merits may only be based on 'grounds' submitted by the parties, and the term 'grounds' appears to include both statements of fact and law. It thus appears to be broader than the traditional civil procedure concept of 'allegations' which is not used in the UPC legal framework. This might reflect an endeavour to bridge the (alleged) gap between different procedural traditions in civil law and common law as regards the principles for application of law usually referred to by the Latin adages *jura novit curia* (i.e. 'the court knows the law') and *da mihi factum, dabo tibi jus* (i.e. 'give me the facts and I shall give you the law').[37] Whereas this should not become a straight-jacket for correct interpretation and application of a legal rule put forward by a party, it is not clear whether the UPC will have competence to consider legal rules *not* put forward by a party. The rules on third party intervention (discussed *infra* 3) explicitly refer to 'arguments of law' (instead of 'grounds'), which seems to favour an interpretation which excludes (pure) 'arguments of law' from the term 'grounds'. Consequently, the UPC should be competent to apply any legal rule applicable to assess the requests by the parties, as long as the relevant facts for application of this rule are covered by the grounds put forward by the parties. In such situations, active case management will be essential to ensure the parties' right to be heard.[38]

In some situations, the UPC shall or may apply certain rules of its own motion (*ex officio*). Under the RoP, the UPC shall thus dispose of actions 'bound to fail' or 'manifestly inadmissible' by way of an Order.[39] The latter probably comprises situations where the party's request, in whole or in part, will be contrary to applicable mandatory rules. Also, the UPC has an obligation to apply EU law *ex officio* to the same extent as other

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[37] On the civil law tradition, see for example S Geroms, *Foreign Law in Civil Litigation* (Oxford; Oxford University Press 2004), pp. 26–37. It has been claimed that *jura novit curia* has never been part of English Common law, see F A Mann, 'Fusion of the Legal Professions' (1977) 93 *Law Quarterly Review* 367 *et seq.*, but it seems that the procedural principles governing the judicial application of law are generally unclear in the common law tradition, see J A Jolowicz, *On Civil Procedure* (Cambridge: Cambridge University Press 2000) pp. 189–190, and A Paterson, *The Law Lords* (London and Basingstoke: Macmillan Press Ltd 1982), pp. 38 *et seq.*

[38] As required by Article 56(2), UPCA.

[39] See Rules 360–363, RoP.

national courts.[40] This may be relevant in cases involving some of the blind spots mentioned above. As an example, the UPC will have an obligation to apply certain rules under EU competition law *ex officio*.[41] The UPC will also be able to (and may arguably have an obligation to) apply EU fundamental rights of its own motion.[42] Arguably, the same goes for the rules on public policy and morality in the EU Biotech Directive.[43]

2.3 Do the Eligibility Criteria and the Appointment and Training of UPC Judges Support This Role?

It follows from the analysis *supra* that the UPC judges can play an important role in covering the blind spots mentioned above by contributing to establishing the basis for their decision-making through active case management and in their decision-making as such. On this background, it becomes pertinent to consider to what extent the eligibility criteria, the appointment process and the training framework for UPC judges support such a role of UPC judges.

2.3.1 Eligibility and appointment of judges

The UPC will comprise both legally qualified judges and technically qualified judges.[44] In most actions the UPC shall or may sit in a composition comprising both types of judges. All UPC judges 'shall ensure the highest standards of competence and have proven experience in the field of patent litigation'.[45] The latter may be acquired by training.[46]

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[40] For an overview of this obligation, see for example Lenaerts, Maselis and Gutman, *supra* footnote 30, pp. 131–136.

[41] See for example Judgment of the CJEU of 14 December 1995 in Joined Cases C-430 and C-431/93, *van Schijndel*, ECLI:EU:C:1995:441. For an overview, see Commission Notice on the co-operation between the Commission and the courts of the EU Member States in the application of Articles 81 and 82 EC, *Official Journal C* 101, 27/04/2004, pp. 54–64, in particular in points 3–10.

[42] In most EU Member States, there are several examples of national courts invoking the EU Charter of Fundamental Rights of their own motion, see for example European Union Agency for Fundamental Rights (FRA), *Fundamental Rights Report* (2016), pp. 39–40.

[43] The complications related hereto are discussed by Salung Petersen, Riis and Schovsbo, *supra* footnote 8.

[44] Article 15(1), UPCA.

[45] Article 15(1), UPCA.

[46] Article 15(1), UPCA and Articles 2(3) and 3(2), UPCS.

The further qualification requirements differ between the two types of judges. A *legally qualified judge* shall be a national of a Contracting Member State and shall possess the qualifications required for appointment to judicial office in that Contracting Member State.[47] These qualification requirements are not harmonized by EU law and it seems there are significant differences between the Contracting Member States.[48] Qualification requirements generally comprise requirements related to professional competence (including requirements for a relevant legal education, practical legal experience and/or successful completion of professional training programmes) and requirements related to personal competence (including requirements concerning judicial ethics, age and/or citizenship).[49] The *technically qualified judges* shall have a university degree and proven expertise in a field of technology as well as proven knowledge of civil law and procedure relevant in patent litigation.[50]

The qualification requirements concerning expertise/knowledge of patent litigation and expertise in fields of technology support the institutional bias of the UPC towards technology-based values previously mentioned. There is not an explicit requirement in the UPC legal framework for legally qualified judges to have practical legal experience outside the field of patent litigation.

When appointing judges, the Administrative Committee shall ensure 'the best legal and technical expertise'.[51] Arguably, this leaves some discretion to favour judges with practical experience *also outside* the field of patent litigation. In this regard, it is interesting to note that the qualification requirements emphasized in the current recruitment process focus not only on patent law proper, but also – and significantly – on generic judicial skills such as 'work efficiency; cooperation abilities; writing skills; general judgement ability' and 'judicial ethics, experience

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[47] The current Recruitment Information on the UPC website, <www.unified-patent-court.org> accessed 19 September 2017, is based on this interpretation of Article 15(2), UPCA and Article 2(1), UPCS, which are not entirely clear in this respect.

[48] For details, see the information memorandum prepared by the Preparatory Committee <https://www.unified-patent-court.org/sites/default/files/upc-national-eligibility-criteria_final.pdf> accessed 19 September 2017.

[49] Ibid.

[50] Article 15(3), UPCA.

[51] Article 3(3), UPCS.

in meeting tight deadlines, oral communication skills, the capacity to work in a multinational and multilingual environment, etc.'[52]

Based on these criteria, it will be possible for the Administrative Committee to appoint legally qualified judges with a broad legal experience also outside the field of patent litigation. Such appointments would provide some counterbalance to the institutional biases of the UPC mentioned above.

2.3.2 Training framework for judges

Another way of covering the blind spots could be through training of UPC judges. It is required by the UPCA to set up a training framework for judges in order to improve and increase available patent litigation expertise and to ensure a broad geographical distribution of such specific knowledge and experience.[53] It shall prepare candidate judges and arrange the continuous training of judges by providing a platform for the exchange of expertise and a forum for discussion.[54] This training framework shall 'in particular' focus on patent litigation and improvement of linguistic skills and, for the technically qualified judges, on dissemination of knowledge and experience in civil procedure.[55] To meet this demand, a training centre for UPC judges was inaugurated in 2014 in Budapest.[56] In 2015, this centre held preliminary training sessions during the pre-selection process for a limited number of candidates for positions as a UPC judge.[57] These sessions have covered basic courses on substantive patent law and patent litigation procedures.[58] Intensive training in the UPC procedural law framework is also foreseen.[59] A detailed training programme for the future training of UPC judges is not yet available.

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[52] See the Recruitment Information on the UPC website <www.unified-patent-court.org> accessed 19 September 2017.

[53] Article 19, UPCS and Article 11, UPCA.

[54] Article 19(1) and 19(3), UPCA and Article 11(2), UPCS.

[55] For details, see Article 19(2), UPCA.

[56] See <http://www.sztnh.gov.hu/en/news/sztnh-hirek/hirek-esemenyek/unified-patent-court-the-training-centre-for-judges-was-opened-in> accessed 19 September 2017.

[57] See <http://birdbuzz.nl/wp-content/uploads/2015/05/2015-05-18-A-view-on-Unified-Patent-Court-predictability-uncertainty-is-no-reason-to-opt-out-wait-an.pdf> accessed 19 September 2017.

[58] See <https://www.epo.org/law-practice/legal-texts/official-journal/2015/etc/se5/p42.html> accessed 19 September 2017.

[59] Ibid.

It is a key policy aim that the UPC judges shall have 'the best legal and technical expertise' to ensure 'high quality decisions'. In this regard, it is only natural to put the initial focus on substantive patent law and UPC procedural law. This focus will, however, not help cover the blind spots mentioned above. To do this, the training programme should thus be developed further to include *also* relevant aspects of competition law, fundamental rights and ethics (*ordre public* and morality).

In this context, it is worth mentioning that the Centre for International Intellectual Property Studies' (CEIPI's) training programme for (potential) technically qualified judges of the UPC not only covers basic matters of judicial ethics, procedural law and enforcement, but also covers broader topics such as competition law, fundamental principles and fair trial.[60]

3. THIRD PARTY INTERVENTION

We will now analyse how third parties may, of their own motion or after being invited by the UPC as mentioned *supra* 2.1.2, play a role in covering the blind spots by intervening in patent litigation before the UPC under the rules on intervention in the RoP, that is, to support one of the parties in pending litigation.[61] We will first explore the potential role of such third party interveners by looking at US patent litigation and the European Court of Human Rights (*infra* 3.1). On this background, we will analyse the different rules for third party intervention before the UPC and discuss the likely role of such third party interveners in covering the blind spots in proceedings before the UPC (*infra* 3.2).

3.1 The Role of Third Party Interveners

Rules on intervention which allow third parties to join proceedings to support one of the parties are well-known in many legal systems even though their practical use seems to differ significantly between different jurisdictions. It is a general feature of such rules, however, that third parties are offered an opportunity to provide information and arguments, which the court may take into consideration in its decision-making.

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[60] See <http://www.ceipi.edu/index.php?id=14370&L=2> accessed 19 September 2017.

[61] Rule 313, RoP.

In the US, the so-called *amicus curiae* briefs also play an important role in patent litigation, especially before the US Supreme Court.[62] Traditionally, an *amicus curiae* brief was a statement made by a neutral bystander (i.e. the 'Friend' (Latin: '*amicus*') of the court) who without any interest in the outcome of the case offered advice to the court on points of law or fact.[63] This type of oral intervention (as was the original form) or written brief has been allowed as a matter of grace by common law courts for centuries as a means of 'dealing with many of the problems that arise in adversary proceedings'.[64] Originally, these problems were mainly related to the providing of sheer information such as otherwise unknown points of law or fact. Gradually, however, this changed and the role of the *amici* in US jurisprudence came to be one of 'advocacy', that is, as a vehicle 'for broad representation of interests, particularly in disputes where political ramifications are wider than a narrow view or common law litigation might indicate'.[65] According to Krislov, courts embraced the notion not only to gain information but also to give the groups or individuals who submit the briefs 'a feeling of participation in the process of decision'.[66]

This double justification – 'facts' and 'views' – also in today's highly political US patent environment constitutes the basic points of justification for the *amicus curiae* briefs where *judicial tailoring* exercised by courts has been hailed as the most efficient driver of legal development in the field of patent law.[67] In patent litigation, *amicus curiae* briefs thus serve to represent what Chien calls the 'fourth pillar of the patent system – patentees themselves'.[68] As a prominent and articulate expression of the importance of these briefs and of the positive attitude amongst courts,

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[62] For an overview over the historical development in US law, see Samuel Krislov, 'The Amicus Curiae Brief: From Friendship to Advocacy' (1963) 72 The Yale Law Journal 694 and for a discussion of recent overall trends across the board see Steven Kochevar, 'Amici Curiae in Civil Law Jurisdictions' (2013) 122 The Yale Law Journal 1653.

[63] Krislov ibid., 694.

[64] Ibid., 696.

[65] Ibid., 720.

[66] Ibid., 721.

[67] Notably D L Burk and M A Lemley, *The Patent Crisis and How the Courts Can Solve It* (Chicago: The University of Chicago Press 2009) 104: 'We recommend that, as a general principle, a flexible common-law approach of ongoing judicial oversight will be best to accommodate new and different technologies within the general framework of a patent statute.'

[68] Colleen V Chien, 'Patent Amicus Briefs: What the Court's Friends Can Teach Us about the Patent System' (2011) 1:2 UC Irvine Law Review 395–430,

the US Court of Appeals of Federal Circuit (CAFC) in its *Festo* decision from 2003 remarked that:

> The number and diversity of the amicus curiae briefs reflect the complexity of these concerns and the variety of viewpoints among technology-based enterprises. The public interest here is not in the fate of these litigants and these long-expired patents; the interest is in the way this judge made law affects technologic innovation and competition.[69]

Apart from the US and other national jurisdictions, *amicus* briefs are being relied upon by international courts and tribunals.[70] Importantly from a European perspective, the European Court of Human Rights (ECtHR) may actively invite third parties to provide information to the court or (passively) decide to accept such information provided by third parties at their own discretion.[71] Even though *amicus curiae* briefs have not been used in a large number of cases as of yet (the number is rising), Van den Eynde has pointed out how these briefs are used much in the 'American way', that is, as a vehicle for providing legal or factual information, to inform the court about the broader consequences of the cases by showing the potential implications of a decision or to point out unintended consequences or by raising the attention of public opinion.[72] Third party intervention is also possible in most proceedings before the

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389 (the other pillars being Congress (i.e. the legislator), the courts and the Patent and Trademark Office (PTO)).

[69] 535 U.S. 722 (2002), *Festo Corp. v Shoketsu Kinzoku Kogyo Kabushiki Co.* (00-1543). See generally Chien, ibid., 98 (pointing out, inter alia, that the CAFC has been particularly receptive towards *amicus* briefs).

[70] See on arbitration Carl Nisser and Gordon Blanke, 'Reflections on the Role of the European Commission as Amicus Curiae in International Arbitration Proceedings' (2006) E.C.L.R. 174–183 and on the World Trade Organization (WTO), Georg C Umbrich, 'An "Amicus Curiae Brief" on Amicus Curiae Briefs at the WTO' (2001) 4:4 J Int Economic Law 773–794.

[71] According to Article 36(2) of the European Convention on Human Rights (ECHR) and Rule 44 of the current Rules of Court (in force as of 1 January 2016), the President of the Court may invite, or grant leave to, third parties to submit written comments or take part in hearings.

[72] Laura Van den Eynde, 'An Empirical Look at the Amicus Curiae Practice of Human Rights NGOs before the European Court of Human Rights' (2013) 31:3 Netherlands Quarterly of Human Rights 271–303, 274 *et seq.* The author also points out how the ECtHR since its creation in 1998 and to 2013 has handed down 17,000 judgments. The author only identified the use of *amicus* briefs in 237 of those (i.e. 1.3 per cent), ibid. p. 280. The ratio is, however, reported to be much higher before the Grand Chamber (21 per cent) and to rise in the later years.

CJEU except in the case of references for a preliminary ruling.[73] This requires 'an interest in the result' of the case, and the CJEU seems to interpret this requirement flexibly depending on the particular circumstances of the proceedings before it.[74]

The use by international courts and tribunals has been reported by Kochevar as constituting part of a more general push towards an embrace of *amicus curiae* briefs even by civil law countries. As drivers for the proliferation points he, furthermore, points to 'pushy NGO's [non-governmental organizations]' and for the EU in particular the explicit mandate for the European Commission in EU competition law (*infra*).[75]

Finally, *amicus* briefs may be relied upon by administrative bodies. Importantly as seen in the present context, 'statements by third parties' (referred to as *amicus* briefs) are allowed in cases pending before the Enlarged Board of Appeal (EBoA) under Article 112 EPC, that is, cases brought before the EBoA to ensure uniform application of the law or to clarify points of law of fundamental importance. The EBoA may deal with such statements as it thinks fit.[76] The ability of third parties such as private citizens or NGOs[77] to submit their personal or organizational views is much used as an indicator of 'legal development'[78] in particular

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[73] See Article 40, the Statute of the CJEU and Articles 129–132, Rules of Procedure for the CJEU.

[74] See Lenaerts, Maselis and Gutman, *supra* footnote 30, p. 824 (footnote 200).

[75] Kochevar, *supra* footnote 62, 1663 *et seq.*

[76] See Article 10, the Rules of Procedure of the Enlarged Board of Appeal of the European Patent Office.

[77] In Opinion of 12 May 2010 in G 3/08 on the patentability of programs for computers, pp. 1–2 the EBoA reports that it had received filing of around a hundred *amicus* curiae briefs which could be broken down roughly as follows: '– 30 originated from lawyers and patent attorneys or associations thereof; of these 15 were individual contributions; – 54 came from companies, industry associations and other interest groups; of these 17 apparently had Free and Open Source Software (FOSS) affiliations, and a further 9 identified themselves as individual developers (the responses of the latter were so similar to those of the FOSS-affiliated that they will be grouped together with the FOSS responses in what follows); – 6 were from academia; – 2 were from patent offices; – 9 were from other sources; of these 6 were from individuals'. The Opinion is available at <http://documents.epo.org/projects/babylon/eponet.nsf/0/DC6171F182D8B65AC125772100426656/$File/G3_08_Opinion_12_05_2010_en.pdf> accessed 19 September 2017.

[78] Ibid., p. 17.

in cases involving contentious issues such as the patentability of programs for computers (G 3/08),[79] the definition of 'essentially biological processes' (G 1/08)[80] or diagnostic methods (G 1/04).[81]

3.2 Third Party Intervention before the UPC

We will now analyse the general rules for third party intervention in proceedings before the UPC and the special rules for intervention by the EU Commission in cases involving EU competition law. We will not analyse the special rule on *amicus curiae* briefs from the EPO President in actions against EPO decisions concerning European patents with a unitary effect.[82]

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[79] See *amicus briefs* at <https://www.epo.org/law-practice/case-law-appeals/eba/pending/g3-08.html> accessed 19 September 2017. In Decision of the Enlarged Board of Appeal of 9 December 2010 in case G 1/08, p. 26, the EBoA described the *amicus* brief for the case in the following way: 'Numerous amicus curiae briefs were filed by professional representatives, interest groups, plant breeders and seed producing associations and firms, scientists, by groups concerned with the ethical and economic impact of the subject-matters involved and by private persons. The submissions made reflect divergent views which were also expressed by the parties, as described in the summary of the parties' submissions given above. In particular, many submissions supported the view that in a process based on crossing and selection, i.e. a conventional breeding process, only a technical step having a decisive impact on the final result should make a claimed process escape the exclusion under Article 53(b) EPC. Others supported the approach that, by analogy with the computer-implemented inventions approach, the presence of any technical step should suffice to make the claimed process escape the exclusion. Finding a right approach to what deserved patent protection was rather a matter for inventive step. A third group of amicus curiae briefs raised objections against the patenting of the kind of technologies in question here based on general ethical and economic concerns about the patenting of plants and animals in general and of those produced by conventional plant breeding methods in particular.' The decision is available at <http://documents.epo.org/projects/babylon/eponet.nsf/0/E72204692CFE1DC3C12577F4004BEA42/$File/G1_08_en.pdf> accessed 19 September 2017.

[80] See *amicus* briefs at <https://www.epo.org/law-practice/case-law-appeals/eba/pending/g1-08.html> accessed 19 September 2017.

[81] See *amicus* briefs at <https://www.epo.org/law-practice/case-law-appeals/eba/pending/g1-04.html> accessed 19 September 2017.

[82] For details, see Rule 94, RoP.

3.2.1 General rules on third party intervention

A third party establishing *a legal interest* in the result of an action pending before the UPC may intervene in support, in whole or in part, of a claim, order or remedy sought by one of the parties in such action.[83] Such intervention does not require acceptance from the parties to the dispute, but these other parties shall be given an opportunity to be heard before the UPC decides on the admissibility of an application to intervene.[84] As mentioned *supra* 2.1.2, the UPC may of its own motion invite third parties to intervene.[85]

An intervening third party ('the intervener') may lodge a Statement of Intervention, which shall contain a statement as to the issues involving the intervener and one or more of the parties, and their connection to the matters in dispute, the arguments of law, and the facts and evidence relied on.[86] Furthermore, the intervener 'shall be treated as a party, unless otherwise ordered by the UPC'.[87] Thus, the UPC may provide the intervener with an opportunity to comment on submissions from other parties and to take part in the oral hearing, and the UPC may use its case management powers (described *supra* 2.1) vis-à-vis the intervener.

These rules on intervention provide third parties who meet the requirements for intervention with an ample opportunity to directly influence the basis for the UPC's decision on the merits of the case. The rules may thus be used by third parties to provide valuable input to the UPC which might help in covering the blind spots mentioned above, provided that they fulfil the requirement for a 'legal interest in the result' of the action. During the preparation of the RoP, several stakeholders argued that the rules on third party intervention were too narrow to allow relevant input from third parties, and they made suggestions for a specific provision on *amicus curiae* briefs which aimed to allow input from a broad range of third parties.[88] These suggestions found 'very little support' in the expert group, particularly bearing in mind the risk of *flooding* of electronic

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[83] Rule 313, RoP.

[84] Rule 314, RoP.

[85] Rule 316, RoP.

[86] Rule 315, RoP.

[87] Rule 315(4), RoP. In the RoP 16th Draft Digest, it is emphasized on page 178 that the intervener 'is no party' but is 'only treated as' one <https://www.unified-patent-court.org/sites/default/files/rop-digest.pdf> accessed 19 September 2017.

[88] See the overview in the RoP 16th Draft Digest mentioned *supra* footnote 87.

submissions.[89] Therefore, the requirement for a 'legal interest' remains a barrier for interested third parties to provide input to UPC decision-making through rules on intervention.

There are several arguments in favour of having a barrier for third party intervention, including in the form of *amicus curiae* briefs, in order to avoid flooding of third party input and mere reproduction of arguments, facts and evidence already put forward by the parties. As stated in the Rules of the US Supreme Court, an *amicus curiae* brief which brings relevant matter to the attention of the court that has not already been brought to its attention by the parties is of considerable help to the court, whereas an *amicus curiae* brief which does not serve this purpose simply burdens the staff and facilities of the court and its filing is not favoured.[90]

In our view, the UPC should use the 'legal interest' requirement as a flexible barrier to ensure that briefs are allowed (only) when they bring *relevant* matter to the attention of the UPC that has not already been brought to its attention by the parties.[91] In this regard, the UPC will have significant discretion to control the specific influence of third party interveners to avoid such third parties from 'taking over' the proceedings. In principle, the role of relevant third parties may be limited to filing a Statement in intervention. Finally, given the experiences both from the EBoA and US courts we think that the risks of 'flooding' are clearly manageable.

3.2.2 Special rules in EU competition law

Even though the UPC is not competent to hear cases based on claims in competition law, it may well be called upon to consider arguments based on competition law, for example that a certain behaviour is allowed for under a valid licensing agreement or a claim that a certain remedy – for example a claim for injunction based on a Standard Essential Patent – is disallowed because it amounts to a misuse of a dominant position. For such cases the UPC will often need to decide on issues which lie

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[89] Ibid., p. 179.

[90] Rule 37 in the Rules of the Supreme Court of the United States. See in the same vein the comments to the 1998 amendment of Rule 29 in the Federal Rules of Appellate Procedure.

[91] Flexibility is a key principle for interpretation of the UPC procedural rules, see Article 52(1), UPCA and the RoP Preamble, point 4.

squarely within the realms of EU competition law, viz. TFEU Articles 101[92] and 102[93] respectively.[94]

In this regard, the cooperation between competition authorities and national courts may also become relevant in a UPC context. The UPC will be a 'court common to the Contracting Member States' and thus subject to the same obligations under EU law as any other national court of the Contracting Member States.[95] An important part of the cooperation with national courts is laid down in Regulation 1/2003.[96] Under Article 15(3) of this Regulation, national competition authorities have a *right* to submit written observations before the national courts of their Member State on issues relating to the application of Articles 101 and 102 TFEU. With the permission of the national court, they may also make oral observations.

The European Commission has similar *rights* when the coherent application of Article 101 or Article 102 so requires. This right is being actively used by the Commission.[97]

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[92] See concretely Commission Regulation (EU) No 316/2014 of 21 March 2014 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of technology transfer agreements, *Official Journal L* 93, 28.3.2014, pp. 17–23.

[93] Notably the Judgment of the CJEU in *Huawei* (on Standard Essential Patents) *supra* footnote 32.

[94] See generally Salung Petersen, Riis and Schovsbo, 'The Unified Patent Court (UPC) in Action – How Will the Design of the UPC Affect Patent Law?' *supra* footnote 8.

[95] Article 1(2), UPCA. See also C Kerse and N Khan, *EU Antitrust Procedure* (6th edn, London: Sweet & Maxwell 2012) § 5-108.

[96] Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty, *Official Journal L* 1, 4 January 2003, pp. 1–25.

[97] See <http://ec.europa.eu/competition/court/antitrust_amicus_curiae.html> accessed 19 September 2017 and also the *Commission Staff Working Document Ten Years of Antitrust Enforcement from 2004-2013,* SWD/2014/0230 final points 248 *et seq.* Most of these were made before courts of last resort, see A Adinolfi, 'Judicial Dialogues and Uniformity in the Multi-Level Application of EU Competition Law' in M Marquies and R Cisotta (eds) *Litigation and Arbitration in EU Competition Law* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing 2015) 68–99, p. 87. See also Kerse and Khan *supra* footnote 95, § 5-129 pointing out that Commission briefs are rare in proceedings at first instances. The Commission is committed to remaining neutral and objective in its assistance, which it sees as part of its duty to defend the public interest (and not to serve the private interests of the parties in the pending litigation), Commission Notice, *supra* footnote 41, point 17.

Interestingly, the range of the obligation under Regulation 1/2003 extends beyond issues covered *directly* by EU competition law. Thus, the CJEU has explained that the Commission's competence to act under Article 15(3) extends to proceedings which even though they do not pertain to issues relating directly to the application of the Articles 101 and 102 merely *compromises* the coherent applicability of those provisions.[98] According to Adinolfi such a functional approach may be seen as giving some 'support to the idea that EU competition law may radiate effects even in areas not pertaining directly to that domain'.[99] Given the tendency of the CJEU to expand the scope of EU legislation to further harmonization, the extent to which Articles 101 and (in particular) 102 may be 'compromised' by the practices of patent holders is arguably difficult to foresee.

The rights of competition authorities to intervene under Article 15(3) of the Regulation cannot be limited by any Member States' rule.[100] However, the Regulation does not establish the *procedural* framework within which the observations are to be submitted; this depends on the applicable procedural rules. In this regard, Member States must adopt the appropriate procedural rules to allow both the national courts and the Commission to make full use of the possibilities the regulation offers.[101]

It is also part of the cooperation between the Commission and national courts that a national court, which is called upon to apply EU competition law rules, may ask the Commission for an Opinion on questions concerning the application of such rules, which can concern economic, factual and legal matters.[102] Such an Opinion does not legally bind the national court, and the Commission will limit itself to providing the national court with the factual information or the economic or legal clarification asked for, without considering the merits of the case.[103]

In sum, the UPC will be obliged to accept *amicus curiae* briefs from competition authorities as provided for in Regulation 1/2003. It appears that the expert group drafting the RoP has not considered this. Thus, the UPC legal framework includes no *explicit* rules concerning such intervention by competition authorities. However, we contend that the general

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98 Judgment of the CJEU of 11 June 2009 in Case C-429/07, *Inspecteur van de Belastingdienst v X BV*, ECLI:EU:C:2009:359, paras 30 and 38.

99 Adinolfi *supra* footnote 97, p. 90.

100 Because it is an EU Regulation. See also Commission Notice, *supra* footnote 41, point 17.

101 Ibid., points 17 and 34–35.

102 Ibid., para 27 with references to case-law from the CJEU.

103 Ibid., para 29.

rules on third party intervention described *supra* 3.1 are flexible enough to handle an intervention by competition authorities under these special rules of EU competition law, and that this may indeed be a good way to provide the UPC with important input in cases involving matters of EU competition law.

4. CONCLUDING REMARKS

The UPC will become a central player in the future development of European patent law both as an adjudicator of patent disputes and as a policy maker.

As seen from a procedural law perspective, the double function of the UPC involves a basic tension between the private interests of the parties in the control of 'their case' and the public interests of society that patent disputes are adjudicated in ways which reflect the broader values and interests that are often at stake in such disputes. These two functions cannot be aligned completely. As seen from the starting point of the UPC as a *court* it is, furthermore, clear that the interests of the parties must take priority in the sense that initiatives aimed at furthering the latter interests should take place within the framework of the UPC as a court and not a 'parliament'. Judging from experience, however, some sort of compromise can be worked out which respects both set of interests.

In finding this compromise, it is important to recognize that the two interests are not in opposition to each other. Rather, they are *complementary*: if the UPC does not succeed in deciding patent disputes in ways which the interested circles recognize as being of high quality, then its voice as a policy maker will not be heard. In the same vein: if the voice of the UPC is going to be recognized as setting the tone for the development of patent law by national courts, Patent and Trademark Offices (PTOs) and legislators, then the judgments of the UPC must be seen as being legitimized. For these reasons and since the need to legitimize the UPC is going to be much more acute for this court because of its specialized nature which has made it biased towards technology-based interests, we believe that it is important for the UPC to be aware of the double-bound nature of its future role and need to cover its blind spots.

The UPC is going to be a one-of-a-kind international patent court. Its level of patent specialization is unique amongst national courts and the lack of a generalist Supreme Court in the classical sense will leave the UPC in *splendid isolation* with all the associated risks (doctrinal isolation, echo chamber mentality, etc.). Furthermore, as an international

court with the – for such a court – unique mandate of deciding disputes between private parties, awarding damages, providing for injunctive relief and so on, the UPC will not benefit from the level of public trust and legitimacy which national courts enjoy because of their embodiment in a particular national legal system and culture. These special traits of the UPC make it even more important for this particular court to take action to cover its *blind spots*. In so doing, the UPC may learn from the experiences of other courts (such as the CAFC and the ECtHR) or institutions (e.g. the EBoA) on issues such as third party intervention. Also, the future judges of the UPC may rely on procedural tools which are known in national law to manage the cases actively to make sure that facts and views which the parties cannot or will not bring before the Court are taken into account. The UPC should find its own way to incorporate these concerns and to a large extent it will be able to do so under the existing framework. The first step in doing so is for the court to recognize its double-bound mission and to appreciate that its position as the centralized patent court in Europe entails duties as well as rights.

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8. The Patent Mediation and Arbitration Centre: a centre of opportunities[1]

Sam Granata

1. INTRODUCTION

By establishing an Alternative Dispute Resolution (ADR) Centre, the Unified Patent Court (UPC) follows a trend in line with the expanding importance of ADR systems settling intellectual property disputes, proven by the growing number of cases and the national regulations adopted in several European Member States in this area.[2]

Article 35 of the Unified Patent Court Agreement (UPCA) establishes a 'Patent Mediation and Arbitration Centre' (hereinafter referred to as 'the Centre') with seats in Ljubljana (Slovenia) and Lisbon (Portugal). Article 35 further states that the Centre shall provide facilities for mediation and arbitration of patent disputes falling within the scope of the UPCA.[3]

The Centre shall establish the rules on mediation and arbitration (hereinafter referred to as the 'Mediation Rules' and the 'Arbitration

[1] This work is an extract from P Callens and S Granata, *The Unitary Patent and the Unified Patent Court* (Alphen aan den Rijn, Kluwer Law International, 2017, pp. 110–122). Please note that when writing this contribution neither the Mediation Rules nor the Arbitration Rules were made public.

[2] J De Werra, 'New Developments of IP Arbitration and Mediation in Europe: The Patent Mediation and Arbitration Center instituted by the Agreement on a Unified Patent Court (UPC)' (2014) *Revista Brasiliera de Arbitragem*, pp. 17–35. Available at https://ssrn.com/abstract=2716666.

[3] Article 35.2, UPCA. Whether this Article should be read as limiting the competence of the Centre or as a minimum condition to make use of the facilities of the Centre was and is the subject of discussion (see *infra*).

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Rules')[4] and will draw up a list of mediators and arbitrators to assist parties in the settlement of their disputes.[5]

In this contribution, an overview is provided (i) explaining the unique position the UPC has created in the dispute resolution market (one-stop shop dispute resolution system) and (ii) examining the Operational Rules.

2. THE UPC AS A ONE-STOP SHOP DISPUTE RESOLUTION SYSTEM

With the establishment of an ADR Centre, the UPC offers its users a one-stop shop dispute resolution system quite different to the set-up of alternative ADR centres.[6] The UPC will comprise a Court (an 'above the parties' dispute resolution entity) and an ADR Centre (an 'above and between the parties' dispute resolution entity) which will work independently of each other but under the same legal roof.

The bridge-builder between the Court and the Centre is the Judge-Rapporteur. It will be his task to seek settlements throughout the actions and especially during the interim proceedings.[7] The fields of the Court and the Centre have been brought somewhat closer to each other in the setting up a procedural scheme where the damages and costs are (likely) to be decided after a decision on infringement or validity.[8] This might narrow the gap and make it possible for the Judge-Rapporteur to build a bridge between them.

Indeed, due to (i) the nature of disputes in the patent law field (linked mainly to infringements and validity), (ii) the impossibility of revoking or limiting a patent *erga omnes* in mediation and arbitration proceedings,[9] (iii) the consecutive nature of the damages proceedings and (iv) the more stringent confidentiality warranties for the parties, it would seem likely

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[4] Article 35.3, UPCA.

[5] Article 35.4, UPCA.

[6] Either there exists no formal connection between the Court and the ADR Centre, or, where a certain connection exists between the Court and the ADR entity, the alternative dispute resolver (e.g. mediator) is directly linked with the Court (as a judge) (cf. § 278 section 5 of the German Rules of Civil procedure and applied regularly in patent cases by the High Court of Munich (Landgericht München I) or in another legal position (mediation services offered by the European Union Intellectual Property Office (EUIPO))).

[7] Cf. Article 52.2 (last sentence), UPCA, Rule 11.1 and Rule 104.d, Rules of Procedure.

[8] Cf. Rule 125, Rules of Procedure.

[9] Article 35.2, UPCA.

that most cases dealt with by the Centre will follow actions (on infringement and/or validity) already decided before the Court, and more specifically by the mediation infrastructure offered by the Centre.

3. RULES OF OPERATION OF THE MEDIATION AND ARBITRATION CENTRE OF THE UPC

3.1 Framework in Which the Rules of Operation Were Discussed

The legal working group, preparing the Centre and one of the work streams set up by the Preparatory Committee, consisted of a specific sub-working group (Group 6). It was the task of this group to pre-draft the Mediation Rules and the Arbitration Rules as well as to set up an organizational and managerial structure for the Centre (expressed in the Rules of Operations of the Mediation and Arbitration Centre of the Unified Patent Court comprising 14 articles, hereinafter referred to as the 'Operational Rules').

As the UPCA did not provide outlined instructions regarding the organizational and managerial structure of the Centre and as the Centre was not the focus of the UPC (of which it would be part), the group aimed at designing a flexible organization that could grow with the needs of the Court and its users.

It speaks of the focus of the UPCA being the establishment of the Court and not the establishment of the Centre. Throughout the negotiations leading to the Operational Rules (and later the Mediation Rules and the Arbitration Rules) the working group was confronted with several opposing points of view based on the multi-interpretational text of the UPCA related to the Centre and with the attitude of intellectual property practitioners, in particular those working on the establishment of the UPC, that this Centre 'will never work'. This attitude was based on a number of grounds, including bias regarding ADR in the intellectual property field (especially mediation) and its limited successful track record; protective reflex in favour of national and international ADR systems; and financial constraints related to the establishment of the UPC.

Although the working group could understand these issues, it remained focused on designing an ADR structure which would secure the establishment of the Centre and leave the path open to develop this Centre based on the needs of its users while taking into consideration that the Centre would operate on a minimal budget.

A specific issue was whether the physical place of the administrative seats could have an impact on the operational structure. Some proposals were made to include Portuguese and Slovenian as working languages and/or to oblige participation of a Portuguese and Slovenian expert in the Expert Committee. These issues were presented as options to the Preparatory Committee but not accepted.[10]

This decision by the Preparatory Committee seems in line with the status of the Centre. One should not compare the administrative seats of the Centre with local or regional divisions of the Court. Unlike a local or regional division of the Court where the Contracting Member State hosting such a division is linked to this state itself (be it financially during the transitional phase, or in its internal operation by having one or two national judges in each panel and regarding the language(s) to be used), the seats of the Centre in Lisbon (Portugal) and Ljubljana (Slovenia) are to be considered purely administrative. They should be considered seats of an international organization having no operational link with the national government hosting them. If a comparison is made to an entity within the UPC, the Registry comes the closest.

The only proposal which was adopted relating to the national interests of Slovenia and Portugal was that, in the event that parties could not come to agree on a place of arbitration, arbitration should be organized either in Lisbon or in Ljubljana (to be decided by the Centre).[11]

3.2 The Centre: Name, Status, Seat and Aims

After defining the Centre in its first Rule, the second Rule of the Operational Rules explicitly states that, although the Centre is part of the UPC, it is an independent and impartial body.[12] It will carry out its tasks in close contact and cooperation with the committees/bodies of the UPC which will have to take decisions relating to the operation of the Centre.

Although the Centre will have a permanent address in each of its seats,[13] the actual arbitration and mediation proceedings can be organized elsewhere. For official communications the permanent address of the

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[10] This was decided at the 15th Preparatory Committee meeting held in Luxembourg on 14 April 2016.

[11] Article 16, Arbitration Rules. Such a principle is not foreseen in the Mediation Rules (Article 9) where it is up to the Centre to decide on the place of mediation.

[12] Rule 2, Operational Rules.

[13] Rule 3, Operational Rules.

Centre should be used. Should the proceedings be held at the seats, appropriate facilities should be provided.[14] This principle was stipulated with the aim of attracting mediation and arbitration proceedings to Lisbon and Ljubljana. When parties make use of the Centre and an administrative fee is paid, the use of the facilities might be complementary.[15] This may be aided by the already mentioned Article in the Arbitrational Rules where proceedings should be held either in Lisbon or in Ljubljana, if parties could not agree on the place, and be decided by the Centre.[16] Such a principle is not part of the Mediation Rules (Article 9), where it is up to the Centre to decide on the place of mediation.[17]

The objective of the Centre is to promote arbitration and mediation in cases falling, wholly or in part, within the competence of the Unified Patent Court. The promotion includes a wide variety of tools[18] including: (i) to make available institutional support for the mediation and arbitration proceedings; (ii) to provide mediation and arbitration rules, fee schedules, model clauses for use in mediation and arbitration and other regulations; (iii) to provide facilities which the parties can use to carry out mediation and arbitration proceedings; and (iv) to encourage, and to organize preferably in cooperation, the training of mediators and arbitrators.

The Centre may conduct information events, maintain a website (which will be linked to the UPC website), and develop and distribute publications in the field of patent arbitration and mediation.[19] Finally, the general principle is expressed stating that the Centre may develop any other activities that will contribute to the efficiency and efficacy of the UPC.[20]

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[14] Rule 4, Operational Rules.

[15] In earlier drafts this idea was explicitly expressed. In the final draft this option has not been excluded. It will be up to the Director (and the Administrative Committee) to decide on such a complementary use.

[16] Article 16, Arbitration Rules.

[17] It may be foreseen that in the final Mediation Rules (to be adopted by the Administrative Committee) the same principle as mentioned in the Arbitration Rules will be introduced. The reason for this difference may lie in the fact that it was at the 15th Preparatory Committee meeting held on 14 April 2016, that the Arbitration Rules were discussed while the Mediation Rules already had already been the subject of the earlier discussions.

[18] Rule 5, Operational Rules.

[19] Rule 5.3, Operational Rules.

[20] Rule 5.4, Operational Rules.

3.3 Languages

The working languages of the Centre are English, French and German.[21] The Centre shall communicate in the working language in which it is addressed.[22] As is made clear in the Mediation Rules and the Arbitration Rules, the language of the actual proceedings may be agreed upon between the parties.[23] Therefore, the working language should not be confused with the language of proceedings.

3.4 Finances

The budget of the Centre is part of the budget of the UPC in accordance with Article 39 UPCA.[24] The financial regulations of the UPC apply to the Centre. The Director is responsible for preparing the draft annual budget for approval by the Budget Committee of the UPC. The Centre will be financed by the budget of the UPC.[25]

The fees derived from conducting arbitration and mediation proceedings by the Centre, and revenues from conducting events and the distribution of publications by the Centre will become part of the regular budget of the UPC.[26] The Centre will provide an annual financial statement containing its income and expenses during the fiscal year.[27]

3.5 Organizational Structure of the Centre

The organs of the Centre are the Director, Administrative Committee, the Budget Committee, the auditors and the Expert Committee.[28]

A (single) Director (having five-year renewable contract[29]) represents the Centre and performs all duties not exclusively assigned to another

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[21] Rule 6.1, Operational Rules.

[22] Rule 6.2, Operational Rules.

[23] This is expressed in the Mediation Rules (Article 12.1) and the Arbitration Rules (Article 17). Where the Mediation Rules refer to the language in which the patent was granted if an agreement cannot be reached on the procedural language (Article 12.2), the Arbitration Rules state that the tribunal will determine the language of arbitration (Article 17.1).

[24] Rule 7.1, Operational Rules.

[25] Rule 7.2, Operational Rules.

[26] Rule 7.3, Operational Rules.

[27] Rule 7.4, Operational Rules. The rules of the UPC on auditing the financial statement will most probably apply *mutatis mutandis*.

[28] Rule 8, Operational Rules.

[29] Rule 9.6, Operational Rules.

organ.[30] These duties may be performed at the seats or where necessary or appropriate elsewhere.[31] He should function independently and will be responsible for the complete operational and organizational structure of the Centre including financial, secretarial and staffing issues.[32] The Operational Rules state specific responsibilities for the Director[33] including: to ensure that the facilities of the Centre are available, to distribute the workload of the Centre including fair distribution of cases to a specific seat, to take the necessary decisions attributed to the Centre by the arbitration and mediation rules, including the appointment and removal of arbitrators and mediators (after consulting the Expert Committee), to approve and maintain a list of arbitrators and mediators in cooperation with the Expert Committee, and to promote the Centre publicly. The Director will be employed by the UPC.[34] His competences should consist of experience in the field of intellectual property law, alternative dispute resolution and management.[35]

The Administrative Committee of the UPC should act as the Administrative Committee of the Centre.[36] The duties of the Administrative Committee include: adopting the Operational Rules, the Mediation Rules and the Arbitration Rules, the fee schedules and other important bylaws of the Centre, approving the annual report of the Centre, appointing the members of the Expert Committee on proposal by the Contracting States, appointing the Director on proposal by the Contracting States and accepting the criteria and qualifications for arbitrators and mediators.[37]

Again, the Budget Committee of the UPC will act as the Budget Committee of the Centre. It will decide the draft budget of the Centre and transfer such financial contributions necessary to install, maintain and operate the Centre.[38] Also the auditors of the UPC will act as auditors of the Centre. They will evaluate the annual financial statement of the Director.[39]

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[30] Rule 9.1, Operational Rules.

[31] By introducing this Rule (Rule 9.2) it is clear that it is not necessary that the Director performs his duties at the administrative seats.

[32] Rule 9.3, Operational Rules.

[33] Rule 9.4, Operational Rules.

[34] Rule 7.4, Operational Rules.

[35] Rule 7.5, Operational Rules.

[36] Rule 10.1, Operational Rules.

[37] Rule 10.2, Operational Rules.

[38] Rule 11.1, Operational Rules.

[39] Rule 11.2, Operational Rules.

The Centre will also include an Expert Committee. The Expert Committee is composed of 12 independent experts in the field of patent and arbitration and mediation law[40] to be appointed by the Administrative Committee for a renewable term of six years on the proposal by the Contracting Member States.[41] The Expert Committee is independent and not bound by any considerations other than those provided for in these rules.[42] The Expert Committee has been attributed duties in line with its expertise: to cooperate with the Director in setting up a list of arbitrators and mediators and to propose necessary or appropriate amendments of the Centre's Rules.[43] The Expert Committee will be convened by the Director at least once a year. The annual meetings will be held alternatively in the seats of the Centre, Lisbon (Portugal) and Ljubljana (Slovenia).[44] The Expert Committee will reach its decisions by a majority of votes of its members present at the meeting, with a quorum of eight.[45] Finally, it is important to note that the members of the Expert Committee will not be paid. They will get reimbursed for reasonable travel and accommodation costs and will receive a daily allowance from the Centre's budget.[46]

The staff of the Centre comprises the Director,[47] case managerial assistance and secretarial assistance.[48] The case manager will administer arbitration and mediation proceedings and assist the Director.[49] In the Rules no specific number of case managers has been stipulated. Where the Preparatory Committee was asked to decide whether one or two case managers were necessary, it was felt that the exact number should not be mentioned in the Operational Rules as it may vary based on the development of case load. It may be expected that on establishment of the Centre two case managers might be appointed, be it each on a part-time basis. The case manager shall provide administrative support to

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[40] Rule 12.1 and Rule 12.5, Operational Rules. In the drafts presented to the members of the Preparatory Committee it was foreseen that one of the members of the committee should be Portuguese and another Slovenian. This was not accepted by the 15th Preparatory Committee meeting of 14 April 2016.

[41] Rule 12.4, Operational Rules.

[42] Rule 12.3, Operational Rules.

[43] Rule 12.3, Operational Rules.

[44] Rule 12.6, Operational Rules.

[45] Rule 12.7, Operational Rules.

[46] Rule 12.8, Operational Rules.

[47] Rule 13.1, Operational Rules.

[48] Under Rule 13.1 it is stated that the staff should carry out its duties at the seats or, when necessary and appropriate, elsewhere.

[49] Rule 13.1, Operational Rules.

any mediation and arbitration proceedings, as delegated by the Director.[50] The Director and the case managers will be supported by a secretariat.[51]

3.6 List of Arbitrators and Mediators

The Centre will establish and maintain a list of competent arbitrators and mediators in the field of patent law.[52] The Centre will strive to enlist mediators and arbitrators of each Contracting Member State on the list.[53]

The criteria and qualifications for mediators and arbitrators to be admitted to the list will be determined by the Director and the Expert Committee.[54] These criteria and qualifications need to be accepted by the Administrative Committee[55] and will be published on the Centre's website together with the application form. Although not explicitly stipulated, each mediator and arbitrator who fulfils the criteria and qualifications will be enlisted. It is not foreseen that the Centre should examine whether the information in the application is correct. The list will be kept up to date.[56] Most of the arbitrators and mediators will (most probably) appear on the (public or secret)[57] lists held by alternative ADR centres.

4. CONCLUSION

The Centre offers several advantages to its users, including:

- It is built on the same fundaments as a specialized court in patent disputes.
- It will work independently, but on the fringes, of the Court.

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[50] Rule 13.2, Operational Rules.

[51] Rule 13.1, Operational Rules.

[52] Rule 14.1, Operational Rules. It was not decided whether this list should be made public or kept secret.

[53] This does not seem to exclude mediators and arbitrators from non-Contracting Member States.

[54] Rule 12.1, Operational Rules.

[55] Rule 14.2, in conjunction with Rule 10.2, Operational Rules.

[56] Rule 14.3, Operational Rules.

[57] The Preparatory Committee has not taken a position regarding this issue. It will be up to the Director to propose whether this list is open to the public or held secret (as part of its business secrets).

- An ADR educational framework will be offered to the judges of the Court. This will mean that the judges handling a case are acquainted with ADR and the advantages it may offer for the parties.
- The judges, and more specifically the Judge-Rapporteurs, are offered tools to build a bridge between the Court and the Centre.
- The consecutive proceedings are such that these issues (such as damages and costs) are more acceptable as the subject of a settlement between parties with the aid of ADR (especially mediation) taking into consideration the confidentiality warranty within such proceedings.
- The freedom of parties to conduct ADR proceedings under the Mediation Rules and the Arbitration Rules in whichever language and where they want.
- A light and optimized organizational structure which can be developed based on the case load.

Whether the Centre will be a success remains to be seen and will depend largely on how the above advantages are used. On the other hand, some specific factors will play an important role in the successful development of the Centre:

- The success of the UPC and more specifically the Court. The Centre will, at least in the start-up years, only have a role to play if the Court is used sufficiently, and this will depend mainly on the confidence the Court can built with its users.
- Not only confidence in the Court as such is of importance but also specifically confidence in ADR for patent law disputes.
- The belief of the Administrative Committee in the Centre and, in this regard, the (timely) appointment and qualities of the Director. The Director will play an important role in the development and promotion of the Centre.
- The expertise of the arbitrators and mediators who are enlisted. Although an important factor, most probably though these will be the same names as on lists held by existing ADR centres.
- A court decision regarding the competence of the Centre and the enforceability of the settlements reached and awards rendered through the use of the Centre and its rules.

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9. Scientific complexity and patent adjudication: the technical judges of the Unified Patent Court[1]

Xavier Seuba

1. TECHNICAL COMPLEXITY IN PATENT LAW

Technical and scientific information have acquired critical relevance in contemporary litigation. Indeed, 'economic, statistical, technological, and natural and social scientific data are becoming increasingly important in both routine and complex litigation'.[2] The Supreme Court of the United States has reflected on the role of judges in light of the growing influence of scientific data on litigation, and has instructed trial judges to 'make a preliminary assessment of whether the testimony's underlying reasoning or methodology is scientifically valid and properly can be applied to the facts at issue'.[3] Judges exercising this role have been named 'gate-keepers'[4] in charge of evaluating scientific testimony. However, their 'scientific gatekeeping' function may become easily confused with that other role of 'amateur scientists'. Unsurprisingly, 'the dilemma for judges is that they are not necessarily well-versed in the specialized fields over which they act as gatekeepers'.[5]

The growing importance of technical and scientific data in contemporary patent litigation makes judges' work more difficult. Patent law has become one of the most complex areas of law, for some 'an anomaly, a

[1] This chapter has greatly benefited from the comments made by Rt Hon. Professor Sir Robin Jacob and Professor Craig Nard. All errors are mine.

[2] Federal Courts Study Committee, *Report of the Federal Courts Study Committee* (Apr. 2, 1990) p. 97, <www.fjc.gov/public/pdf.nsf/lookup/repfcsc.pdf/$file/repfcsc.pdf> accessed January 2016.

[3] *Daubert v Merrell Dow Pharmaceuticals* (92-102), 509 U.S. 579 (1993).

[4] E Cheng, 'Should judges do independent research on scientific issues?' (2006) vol 90 no 2 Sep–Oct Judicature, p. 59.

[5] Ibid., p. 58.

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hybrid of law with a rapidly proliferating technology'.[6] Judges are confronted with cases involving complex factual issues and highly sophisticated technologies from a wide range of technical fields, such as chemistry, electrical engineering, mechanics and software. Lay persons, including the majority of judges, will experience difficulties to fully understand many patent cases and deal with their technical complexities.

It is not surprising that patent-inexperienced judges spend large amounts of time trying to understand the technological jargon, the object or invention attracting litigation and prior art references. Indeed, understanding the innovation is indispensable, since 'patent law cases can turn almost entirely upon an understanding of the underlying technical or scientific subject matter'.[7] Next, closely related, the decision on patent validity frequently requires a good understanding of the technicalities of the innovation involved. In the case where the validity of the patent is upheld, a decision on whether there is an infringement may also turn out to be a difficult one, with expert witness and reports frequently supporting opposite views.[8]

Even if technical sophistication has grown in recent times, concerns about its impact on patent litigation are not new. In 1911 Judge Learned Hand criticized the fact that generalist courts had to deal with patent litigation, and 'the extraordinary condition of the law which makes it possible for a man without any knowledge of even the rudiments of [science and technology] to pass upon such questions'[9] of high difficulty and complexity. In a similar line of thought and also referring to patent litigation, Justice Henry Friendly, of the United States Court of Appeals for the Second Circuit, complained in 1974 about the 'absurdity of requiring the decision of such cases to be made by judges whose knowledge of the relevant technology derives primarily, or even solely, from explanations of counsel'.[10]

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[6] R L Gausewitz, 'Patent-experienced judges' (1972) vol 58 Oct, American Bar Association Journal, p. 1090.

[7] S Breyer, 'The interdependence of science and law' (1998) vol 82 no 1, July–August Judicature, p. 25.

[8] A number of collateral but crucial issues, such as the award of damages and the relationship between the patent at issue and competition law, may also test the knowledge and expertise of the patent judge.

[9] B Z Shaw, 'Judging juries: evaluating renewed proposals for specialized juries from a public choice perspective' (2006) vol 3, UCLA Journal of Law and Technology, p. 24.

[10] *General Tire & Rubber Co. v Jefferson Chem. Co.*, 497 F.2d 1283, 1284 (2d Cir. 1974).

2. HOW HAS PATENT LAW RESPONDED TO THE TECHNICAL AND SCIENTIFIC COMPLEXITY ARISING FROM THE OBJECT OF REGULATION?

Patent law has responded to scientific complexity in different ways. First, regular judges may gain knowledge either by conducting research themselves or participating in judicial training programs. Expert witnesses, either appointed by the parties or by the court, may also provide the court with the technical knowledge required. A third way to respond to technical complexity entails merging the role of the expert with that of the judge. This integration may adopt different levels of intensity, the most complete case in point probably being that of the technical judge.

2.1 Research and Training

A first and simple way to respond to scientific and technical complexity is for judges to conduct research themselves, for instance by reading scientific journals or technical treatises. Nevertheless, this response may be insufficient when the technical complexity involved in the litigation is significant, since the capacity of legally trained judges to master difficult scientific and technical information just by researching is limited. Moreover, conducting research may not be acceptable in countries with adversarial adjudication systems, since the adversarial principle may be nullified 'by requiring an active judicial role and undermining the importance of party-presented evidence'.[11]

Closely related to independently conducted research are education programs in science.[12] More and more scientific training programs are specifically tailored for judges. The idea is that, the more the judges learn, the greater the quality and consistency of their sentences relating to scientific facts will be. However, judicial education programs, welcomed as they are, 'necessarily suffer the limitations of being broad in scope and separated in time'.[13] This is a reason why a more 'hands-on' approach to judicial training may be advisable. For instance, education of judges can also be promoted by means of the concentration of cases in the same court, with the objective of regularly exposing judges to technical complexities.

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[11] E Cheng, op. cit., p 61.
[12] Ibid.
[13] Ibid.

2.2 Party and Court-appointed Experts

Understanding the relevant technology and determining the facts may require a technical knowledge that goes beyond the capacity of an ordinary judge, even if the judge conducts research or enrolls in trainings. In fact, even if the court employs technical judges or in-house full-time technical advisors, it may still be necessary to appoint experts to pass on sentences relating to disputes on specialized and complex cases.

Technical expertise in patent proceedings has been customarily provided by means of experts of the parties and court-appointed experts. The role of the expert differs depending on whether they have been appointed by the court or by the parties. Differences are also important from jurisdiction to jurisdiction. In fact, differences may originate in systemic aspects of the legal order and different views as to the function of the judge.[14] Adversarial systems prefer party-appointed experts since the court is conceived as an impartial referee and expert witnesses 'educate the court in the technology',[15] whereas inquisitorial systems engage the judge in determining the facts and promote the presence of court-appointed experts and other types of in-house expertise, such as technical advisors of the court.

Experts deliver 'expert advice' with the objective of assisting the Court in deciding issues of a technical nature. They are expected to deliver objective opinion and may even be punished if they do not do so.[16] Nevertheless, the risk of confusing the opinion of the expert with the interests of the party is real,[17] in particular in countries where experts are

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[14] For a comparison between the United States and Germany, see J Maxeiner, 'The expert in U.S. and German patent litigation' (1991) IIC, p. 599; for a comparison between the United Kingdom and Germany, J Klink, 'Cherry picking in cross border patent infringement actions: a comparative overview of German and UK procedure and practice' (2004) European Intellectual Property Review, pp. 502–503.

[15] *Rockwater Ltd v Technip France Sa (Formerly Coflexip Sa), Technip Offshore UK Limited (Formerly Coflexip Stena Offshore Limited)* [2004] EWCA (Civ) 381, para 12.

[16] Rule 35.3 of the United Kingdom Civil Procedure Rules establishes that '(1) It is the duty of experts to help the court on matters within their expertise, and that (2) This duty overrides any obligation to the person from whom experts have received instructions or by whom they are paid'. Available at <https://www.justice.gov.uk/courts/procedure-rules/civil/rules> accessed January 2016.

[17] This is the reason why party-appointed experts have also been named, in quite pejorative terms, 'hired-guns', 'litigators hangers-on' or 'saxophones', that is, 'instruments that play the tune called for by the party's attorney'. See

instructed and paid by the party.[18] Differences across countries are important. For instance, while in Germany the expert providing expert advice is closely related to the Court, in the United Kingdom the parties have greater leverage on the expert. Certainly, in both cases the duty of the expert is to the court, as opposed to witnesses proposed by the parties,[19] something explaining the different treatment they receive when it comes to examination.[20]

Court-appointed experts allow the overcoming of the 'epistemic asymmetry'[21] that exists between judges and party-appointed experts. However, in complex areas of patent litigation, or in countries with little patent litigation, courts may have problems in identifying available experts. Technical difficulty may reduce the number of available experts, hence impacting on conflict of interest. In this regard, in countries with a reduced volume of patent litigation it is likely that qualified experts have had professional relations with one or the other parties of the case.

In order to avoid conflict of interest and provide stability, some countries have appointed in-house full-time technical advisors or have published lists of technical experts available to courts in patent-related processes.[22] While the former bear some similarities to technical judges in terms of independence, pre-selected technical experts raise concerns

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J Maxeiner, op. cit., p. 602. According to Woolf, party-appointed experts may 'craft reports which will conceal anything that might be to the disadvantage of their client'. Lord Woolf MR, *Access to Justice, Interim Report to the Lord Chancellor on the Civil Justice System in England and Wales* (London: HMSO, 1995) p. 183.

[18] See the case of the United Kingdom, as opposed to Germany, in J. Klink, op. cit., pp. 502–503.

[19] Ibid.

[20] Experts do not necessarily appear in trial and are allowed time enough to argue eventual differences with other experts. By contrast, witnesses may be heavily challenged by the other party. While the treatment the witnesses get greatly varies from country to country, in some countries they may be cross-examined as to 'shake' their credibility. Experts receive a more dispassionate approach.

[21] I Lianos, 'Observations', Quantification of damages workshop. Brussels, 26 January 2010, <http://ec.europa.eu/competition/antitrust/actionsdamages/lianos.pdf> accessed January 2016.

[22] Section 115 of the Indian Patents Act allows appointing an independent scientific adviser, 'to assist the court or to inquire and report upon any such question of fact or of opinion (not involving a question of interpretation of law) as it may formulate for the purpose'. The list of experts appointed by the Indian Patent Office can be accessed at <http://www.ipindia.nic.in/List_Scientific Advisors_05October2010.pdf> accessed January 2016.

akin to those of court-appointed experts in the absence of a strict regime on conflict of interest.

2.3 Integration of Technical Expertise and Adjudication

Several measures have been implemented with the objective of merging the role of the expert and the judge. Sitting experts in the Court and hiring scientists as judges are prominent examples. Experts sitting in the court may not necessarily be judges. They may, for instance, integrate a body of full-time technical advisors available to the bench. However, experts may also become adjudicators and pass sentences, either as single judges or members of a panel. As analyzed below, technical judges are one of the examples of technical experts becoming judges. This sub-section introduces instead the role of experts that, without being judges, participate in the adjudication process.

Some legal orders foresee the possibility of making technical advisors available to the judge. Their role is different from that of court-appointed experts. The later are appointed ad hoc for a specific case, and are also challenged in the context of adversarial processes. Instead, 'scientific advisers', 'technical investigators' and 'technical officers' counsel the judge without normally being questioned by the parties.[23] These experts may be full-time personnel of the court, and enhance the technical quality of sentences and reflect the proper understanding of the scientific aspects of the case.

A number of legal orders have adopted patent litigation schemes where courts employ full-time technical advisors. This is for instance the case of Russia, where the Intellectual Property Court has fifteen technical experts in a range of technical fields to support the judges' task. This was also the case of the proposed Community Patent Court, where seven 'assistant rapporteurs' in different fields of technology would have participated in the preparation, hearing and deliberation of the case, but not in the voting. Presently, similar schemes exist in Japan, South Korea, Singapore and China.

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[23] See S Basheer, 'Specialist IP adjudication: the Indian experience', in J de Werra et al., *Specialised Intellectual Property Courts- Issues and Challenges* (CEIPI-ICTSD 2016), <http://www.ictsd.org/sites/default/files/research/Specialised%20Intellectual%20Property%20Courts%20-%20Issues%20and%20Challenges_0.pdf> accessed March 2016; see also the opportunity to appoint technical investigators under Chinese law, resulting from the Provisional Stipulations on Several Issues concerning the Participation of Technical Investigators in the Proceedings of Intellectual Property Courts, of 21 January 2015.

In Japan[24] the so-called 'judicial research officials' assist judges in technological issues in all patent litigations.[25] On many occasions 'judicial research officials' are patent examiners who temporarily resign from the Japanese Patent Office to become full-time court officers.[26] By contrast, 'technical advisors'[27] are part-time experts, mainly university professors, in several fields of science and technology[28] who are designated in patent cases where complex technical issues arise.

In a similar fashion, fifteen technical experts have been appointed to assist the judges of the Republic of Korea Patent Court.[29] These technical experts perform two important functions. First, they participate in the trial and interrogatories to parties and witnesses, assisting judges to pose questions or identify key issues, and second, they also give technical advice to the judges, to facilitate their decisions and final sentences.

Finally, in China specialized intellectual property courts set up in 2014[30] hire technical investigators as judicial auxiliary staff to assist judges. Their functions and competences are numerous, and include identifying the focus of dispute as to the technical facts and making recommendations to the judges concerning the investigation.[31] However, technical investigators do not vote and their opinions are just an input to judges.

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[24] Information from Japan has been extracted from M Matsukawa, 'IP litigation in Japan: recent trends and future perspectives', presentation delivered 29 January 2016, <http://www.ip.courts.go.jp/eng/vcms_lf/20160129Matsukawa.pdf> accessed November 2016.

[25] 'Saibansho Chosa-kan' (判所調査官), there are twenty-one of them.

[26] Specialized in machinery, electricity and chemistry, they are at the Intellectual Property High Court (eleven), the District Court of Tokyo (seven) and the District Court of Osaka (three).

[27] 'Senmon-iin' (専門委員).

[28] Medicine, biotechnology, nanotechnology, energy, applied physics, telecommunications and computer programming.

[29] Kong-Woong Choe, 'The role of the Korean Patent Court' (1999–2000) vol 9 no 4, The Federal Circuit Bar Journal, p. 475.

[30] By virtue of the Decision of 12th NPC Standing Committee to Establish the Specialised Intellectual Property Courts in Beijing, Shanghai and Guangzhou on 31 August 2014. See *Legal Daily*, 1 September 2014; see H Xue, 'Specialised intellectual property courts in China', in J de Werra et al., op. cit.

[31] If the judge so requests it, the technical investigator may help him in pinpointing the focus of dispute as to technical facts by consulting litigation documents and evidential materials; making recommendations as to the scope, sequence and method of investigation of technical facts; participating in investigation, evidence collection, inspection and preservation, and making recommendations regarding the methods and procedures thereof; participating in

2.4 Court Specialization

More and more, the complexity of factual issues and scientific and technical aspects of patent cases transform patent litigation into a club reserved to a select group of experts. Indeed, many of the actors involved in patent law are highly specialized, comprising patent examiners, patent attorneys, patent lawyers and those intervening in patent adjudication, namely patent judges and technical experts. Setting up specialized bodies is therefore a predictable step in that direction.

The setting up of specialized intellectual property courts has been the most visible strategy to catch up with the specificities of patent litigation, including technical complexity. The diversity of specialized intellectual property tribunals is notable,[32] and their jurisdiction is also heterogeneous.

Some specialized intellectual courts have jurisdiction over disputes relating to all intellectual property rights, while other courts have jurisdiction only with respect to certain intellectual property categories. For instance, while in the European Union, specialized dispute settlement bodies exist for patents, trademarks, copyrights and even plant varieties,[33]

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inquiries, hearings and trials; advancing technical examination opinions, and attending collegiate panel deliberations; assisting the judge, when necessary, in calling together appraisers and professionals in related specific technical fields to gather appraisal opinions and advisory opinions thereof. See Articles 1 and 6 of Provisional Stipulations on Several Issues concerning the Participation of Technical Investigators in the Proceedings of Intellectual Property Courts, on 21 January 2015.

[32] This paragraph is based on X Seuba, C Geiger, L Lu, *The evaluation and modernisation of the legal framework for the enforcement of intellectual property rights, Comments of the CEIPI on the EU Commission's public consultation of December 2015, with a focus on the issue of specialization of IP courts*' (2016) no 2, Centre for International Intellectual Property Studies (CEIPI) Research Paper; Presidency of the Council of the European Union, Towards an Enhanced Patent Litigation System and a Community Patent – How to Take Discussions Further, 11622/07, PI/35, Brussels, 12 July 2007. See also International Bar Association, *International Survey of Specialised Intellectual Property Courts and Tribunals*, London, September 2007; International Intellectual Property Institute (IIPI) and United States Patent and Trademark Office (USPTO), *Study on Specialized Intellectual Property Courts*, January 2012, p. 3, <http;//iipi.org/wp-content/uploads/2012/05/Study-on-Specialized-IPR-Courts.pdf> accessed April 2016.

[33] Such as the Boards of Appeal of the Community Plant Variety Office, the Boards of Appeal of the European Union Intellectual Property Office, or the Unified Patent Court.

the Beijing, Shanghai and Guangzhou intellectual property courts have exclusive jurisdiction to hear all intellectual property disputes – although specialization within specialization exists as well.[34]

Likewise, some intellectual property courts have jurisdiction over all issues within intellectual property, while other courts only adjudicate disputes concerning specific matters. In this last regard, some patent specialist courts can rule only on the validity of patents, while other courts can decide both on infringement and validity disputes.[35] Further, also concerning jurisdiction, some judicial bodies with the primary mission to judge intellectual property disputes are first instance courts; others are second instance courts; still, others are full-fledged tribunals capable of deciding both on first instance cases and also on appeals.[36] Finally, while most specialized courts decide only on civil and border enforcement disputes,[37] other courts may also rule on criminal matters related to intellectual property infringement.[38]

The advantages and disadvantages of creating specialized intellectual property courts have been thoroughly analyzed in the literature.[39] Among

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[34] The Beijing Intellectual Property Court has exclusive jurisdiction over validity of patents and trademarks in China. For the Chinese courts, see H Xue, op. cit.

[35] The Unified Patent Court is a good example of a court deciding both on validity and infringement, whereas the German Federal Patent court has exclusive competence on validity. The system to litigate patents followed by a country, which can be a dual or a single system, can heavily influence the specialist courts. In this regard, many countries with a dual system have created specialist patent courts. This is the case of Germany, Russia, Japan, Portugal and Republic of Korea. From this cannot be inferred, however, that only countries with dual systems promote specialization. On the contrary, countries following a single system to decide on infringement and validity have also created specialized intellectual property courts, this being for instance the case of Switzerland, the United Kingdom, China and Finland.

[36] This is the case of the Unified Patent Court, the Russian Intellectual Property Court and the Beijing Intellectual Property Court.

[37] The Beijing, Shanghai and Guangzhou intellectual property courts can only deal with civil and administrative disputes but cannot deal with criminal matters related to intellectual property rights infringement.

[38] Specialized intellectual property courts in Thailand, Turkey and Taiwan may hear criminal intellectual property cases. See International Bar Association, op. cit., pp. 9 and 15.

[39] See, in particular, J de Werra et al., op. cit.

the advantages, efficiency, quality, consistency and uniformity are commonly mentioned.[40] Disadvantages, by contrast, include at least the costs of establishing and operating an intellectual property court, the political or economic influences that the court might receive and the possibility of developing a too narrow vision of the legal system.[41] As it has been argued, how advantageous it is establishing specialized intellectual property courts in a given jurisdiction depends on a number of factors that go beyond intellectual property. Rather, the decision should take into account more general factors, including economics, the legal system and societal characteristics of the country.[42]

3. TECHNICAL JUDGES

3.1 Concept and National Experiences

There are two types of patent specialist judges, namely legally trained judges and technically trained judges.[43] However, the boundaries between them are not always precise. In countries such as the United Kingdom and the Netherlands, professionals with both a legal and technical background become 'judges'. In these countries, no 'technical judges' exist, but full-fledged judges with a scientific background. Therefore, the differentiation between legally and technically qualified judges has to do not only with the technical background of judges, but also with the tasks entrusted to them and the role judges play in the adjudication process.

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[40] P R Gugliuzza, 'Rethinking Federal Circuit jurisdiction' (2012) vol 100, Georgetown Law Journal, pp. 1447–1448. See also L Baum, *Specializing the Courts* (Chicago: University of Chicago Press 2011) p. 4, in which the author names the quality of decisions, efficiency and uniformity in law as the 'neutral virtues' of specialization, but considers that there is no evidence showing that specialization will enhance these virtues. As noted by S Basheer, 'it is widely assumed that a specialist tribunal would possess specialist expertise (over time) and would therefore arrive at relatively more correct decisions'. S Basheer, op. cit.

[41] J de Werra et al., op. cit., p. 26. Baum states that specialization 'changes the environment in which judges work, creating influences that lead them to favor certain interests'. See L Baum, op. cit., p. 4.

[42] J de Werra et al., op. cit., p. 18.

[43] In the terminology of the Unified Patent Court Agreement, these are the 'legally qualified' and 'technically qualified' judges.

A technical judge is a general expert in a technical field of expertise. Among his functions is explaining the technical aspects involved in the case to his fellow judges sitting on the bench. This will facilitate legally trained judges' understanding the relevant technical facts of the dispute. Moreover, technical judges actively participate in the decision of the court, and their vote has the same weight as that of legal judges.

The role of technical judge is therefore different from that of full-time technical advisors and party or court-appointed experts. First, their respective influence in the final decision is very different. While the former counsel and decide, the latter just counsel those who decide. Second, court or party-appointed experts are specialists in a very specific field and are appointed to answer complex technical questions. Technical judges will not be specialists on the very subject-matter of the patent. Answering to the questions that arise from the specificities of the invention is the function of the court or party-appointed experts. Technical judges will normally be professionals with a general technical knowledge that enables them to understand those explanations and infer the corresponding legal consequences. This could be for instance the case of former patent examiners, patent attorneys and members of the Boards of Appeal of the European Patent Office.

Although technical judges are most common in dual systems, where validity and infringement of patents are treated separately, there is no conclusive relationship between dual systems and technical judges. Indeed, countries following a dual system include technical judges on the bench, this being for instance the cases of Austria, Hungary and Germany. But single-system countries also include technical judges or with judges with a scientific background. Switzerland, Sweden and Denmark are single-system countries that have technical judges, while the United Kingdom and the Netherlands have judges with a scientific background but make no differentiation among judges. It is worth briefly describing the cases of Germany and Switzerland, dual and single systems respectively and in both cases with technical judges.

The origin of technical judges in the German patent system is found in a decision of the Federal Administrative Court. From 1877 to 1959 decisions of German patent examiners were appealed in the context of an administrative system, and no remedies were available against decisions of boards of appeal. The constitutionality of such a system was challenged, and the Court decided that the decisions of the boards were administrative facts and that final decisions of the patent office should be open to appeal before courts. Subsequent legal amendments resulted in the creation of the German Federal Patent Court in 1961, composed of a

mix of legally and technically qualified judges.[44] The Revocation Boards, which are competent to adjudicate actions to revoke a patent, comprise two legally qualified judges and three technically qualified judges. The existence of a link between the presence of technically qualified judges in patent revocation proceedings and the efficiency and cost advantage of the German patent litigation system has been defended by some.[45] However, having technical judges is not the sole cause, not even the main cause,[46] of the attractiveness of the German system.[47]

The Federal Patent Court of Switzerland has almost exclusive competence with respect to patent litigation.[48] Cases before the Federal Patent Court will typically be heard by panels of three judges,[49] both legally and technically qualified. One of the goals of appointing technical

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[44] In 2011 the German Federal Patent Court had 56 legally qualified judges and 63 technically qualified judges. A Kukrus, R Kartus, 'Economic and legal aspects of the patent litigation in the European Union: developments and perspectives' (2011) Discussions on Estonian Economic Policy, Berliner Wissenschafts-Verlag, Mattimar, p. 94.

[45] N Hansen, 'Germany: BPATG judges have adequate technical expertise' (26 May 2015) Managing Intellectual Property <http://www.managingip.com/Article/3456758/Germany-BPatG-judges-have-adequate-technical-expertise.html> accessed May 2017. Also praising the German system – without, however, establishing that link, see R L Gausewitz, op. cit., p. 1090; K Kim, 'Participation of technical experts in patent litigation' (2006) vol 34, Korean Journal of International and Comparative Law, p. 14.

[46] Instead, the reason is the rapid availability of injunctions for right holders, regardless of the fact that patents are valid or not, thanks to the bifurcation system.

[47] The German litigation system attracts between 50 and 70% of all litigation in Europe. D Harhoff, *Economic Cost-benefit Analysis of a Unified and Integrated European Patent Litigation System*, 26 February 2009, p. 13, <http://ec.europa.eu/internal_market/indprop/docs/patent/studies/litigation_system_en.pdf> accessed November 2016.

[48] The Federal Patent Court has *exclusive* nationwide jurisdiction with regard to (i) infringement, (ii) invalidity or nullity, (iii) compulsory licenses, and (iv) requests for provisional measures relating to any of these three types of actions if requested prior to their pendency. By contrast, it has concurrent competence with ordinary courts in issues relating to patent contracts, ownership, assignment … Technical judges' competence is not limited to the decision on the merits of the case, but they may also intervene when deciding on issues such as the taking of evidence or the provisional measures requested. Art. 23.3 of the Federal Act on the Federal Patent Court (Patent Court Act, PatCA) of 20 March 2009.

[49] If the development of the law or the uniformity of the case law so require it, the President of the Court may order a case be decided by a panel of five

experts is to substitute outside experts. For this reason, technical judges cover a large number of technical fields. The majority of judges in Switzerland, both legally and technically qualified, are, however, part-time judges,[50] and strict rules have been enacted to guarantee their independence. The need to address very different fields of expertise and also having enough judges to avoid conflict of interest makes it necessary to appoint a large number of technically qualified judges in relation to the actual number of cases litigated per year. For instance, while in 2016 there were twenty-eight technical judges in Switzerland, there were 'only' eleven legally trained judges.[51]

3.2 Advantages and Disadvantages of Having Technical Judges

The presence of technically qualified judges has a number of advantages. Technical judges improve the panel's ability to address the legal and scientific complexity of cases. As a consequence, they also reduce the dependency on court-appointed experts, and redress the lack of judicial expertise when courts adjudicate a reduced number of patent cases. Countries with technical judges also claim they have cut the costs and length of court proceedings. Importantly, technical judges also contribute to enhancing due process guarantees. In this respect, technical judges facilitate the correct understanding of the technicalities of the case, and strengthen the coherence and quality of jurisprudence as far as technical matters are concerned.

Court-appointed experts and party-appointed experts have been traditionally considered a major source of delay and costs in patent proceedings. This is the reason why technically qualified judges may play an important role. In terms of time and money, the example of the Swiss Federal Patent Court is worth considering. According to the President of this tribunal, the creation of a report by a technical judge is about twelve

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judges instead and, in cases involving multiple technical fields, the President of the Court may even order a case be tried before a panel consisting of up to seven judges.

[50] Only two judges are full members of the Federal Patent Court and only one of them – the President of the Court – works full-time for the court, while the second full member works half-time.

[51] Of them, eleven experts in Chemistry, eight in Physics, two in Biochemistry/Biology, three in Mechanical Engineering and four in Electrical Engineering. T Bremi, 'The interaction between technically and legally qualified judges in patent litigation', presentation delivered in the context of the CEIPI Training Program for Technically Qualified Judges of the Unified Patent Court, 20 November 2015, on file with the author.

times faster and is about 50–70% cheaper than the creation of a report by a court-appointed expert.[52]

Specialization of judges is often associated with higher quality judicial decisions.[53] Technical judges foster coherence in the jurisprudence, reduce factual errors, contribute to clearly identifying the issues of relevance in the case, and lead to more reasoned and practical decisions. The reason is found in their experience in practical fields[54] and knowledge of everyday patent practices and businesses' needs. Indeed, on many occasions technical judges will have spent time serving business clients, in the industry or in research institutions.[55] In many disputes, the key issue is validity and infringement in terms of compliance of features, not so much the acts, and this is an issue for the technical judges to analyze.[56]

The relationship between technical judges and the right to fair trial deserves special mention, in particular the right to be judged by a fully competent judge and the right to be judged by a court that fully understands the technical aspects of the case.

The right to be heard by a fully competent judge reflects, in many countries, a constitutional right to access to a court. However, in many cases, decisions concerning validity of patents are taken by administrative bodies. Even if appeals may be filed in ordinary courts, the latter will probably not be entitled to assess facts and will be limited

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[52] C P Rigamonti, 'Swiss patent jurisprudence 2012, (2013) JIPITEC, p. 60.

[53] See B Schmidt, 'How to improve the quality of decisions – especially the issue of the composition of the court' in C. Geiger (ed.) *Quel droit des brevets pour l'Union européenne? / What Patent Law for the European Union?* (Collection of the CEIPI, Paris, Litec, LexisNexis, 2013) p. 114; F Addor, C Mund, 'The Swiss Federal Patent Court: a model to follow?' in C Geiger (ed.) *What Patent Law for the European Union?*, op. cit., p. 163.

[54] Council of the European Union, *The separation of invalidity and infringement proceedings and the use of technical judges in a European Patent Court System* (Brussels, 13878/07, 12 October 2007) p. 4.

[55] Technical judges will frequently be asked about how technical innovation works in practice, how attorneys and patent attorneys work or also about questions relating to European Patent Office case law on novelty, inventive step or industrial application. T Bremi, op. cit.

[56] Ibid.

to the legal aspects of the case. This poses the question as to whether the limitation on judicial review of factual issues violates fundamental rights.[57]

An argument can also be made in the sense that parties to the litigation have the right to be heard by a judge that fully understands the facts of the case. In the United States, the Seventh Amendment preserves the right of trial by jury in civil cases.[58] However, the existence of the so-called 'complexity exception' has been defended, invoking the Fifth Amendment, on due process. Pursuant to this exception, judges have the discretion to withhold cases from juries 'where the complexity of the facts or the underlying legal issues make it impossible for a jury to render a fair and rational verdict'.[59] Consequently, the complexity of the technology involved in many patent-related cases would allow denying a jury trial, and would justify the presence of specialized judges.[60] The right to a fair trial, and the understanding that the inability of a jury to

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[57] See for instance the Korean case in K-W Choe, op. cit., p 474; for the case of Switzerland, C P Rigamonti, 'The new Swiss Patent litigation system' (2011) JIPITEC, p. 3.

[58] 'In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law'. U.S. Constitution, Amendment VII. See <www.gpo.gov/fdsys/pkg/GPO-CONAN-1992/pdf/GPO-CONAN-1992-10-8.pdf> accessed March 2015.

[59] J F Miller, 'Should juries hear complex patent cases?' (2004) no 4, Duke Law & Technology Review; See also D M Altman, 'Defining the role of the jury in patent litigation: the court takes inventory' (1997) vol 35, Duquesne Law Review, p. 699; P Devlin, 'Jury trial of complex cases: English practice at the time of the Seventh Amendment' (1980) vol 80, Columbia Law Review, pp. 51–53; J Oaks, 'The right to strike the jury on trial demand in complex litigation' (1980) vol 34, University of Miami Law Review, p. 289.

[60] It is argued that the complexity exception already existed in English common law. Or, even if it did not exist, it is also argued that English common law could not have foreseen current complexity of litigation. Therefore, the general prescription for jury trial could not have been established in relation to contemporary complex cases. See D King, 'Complex civil litigation and the Seventh Amendment right to a jury trial (1984) vol 51, University of Chicago Law Review, pp. 581–586; J A Miron, 'The Constitutionality of a Complexity Exception to the Seventh Amendment' (1998) vol 73 no 3, Chicago-Kent Law Review, pp. 865–896; J S Campbell, 'The current understanding of the seventh amendment: jury trials in modern complex litigation' (1998) vol 66, Washington University Law Quarterly, pp. 63–70; J F Miller, op. cit.

fairly and reasonably assess evidence renders it unable to perform its task adequately,[61] would support that disputed[62] holding.[63]

Technically specialized judges may also have disadvantages. In terms of costs, while technical judges may help at cutting expenses arising from the use of court or party-appointed experts, expenditures relating to training and maintaining full-time technically qualified judges must also be taken into account. These costs may not be justifiable if the national caseload relating to patents is not relevant. In this respect, having part-time technical judges may be an efficient approach, as happens in the cases of Switzerland and the Unified Patent Court.

Fair trial requirements may also put into question the presence of non-legally trained judges on the bench. Technical judges would probably not be acceptable in many countries, which require judges to complete legal studies before applying for this position. Typically, technically qualified judges do not have a degree in law, but a university degree and expertise in a field of technology. A question that may be asked of a national court is whether the country can join an international court that would not satisfy national requirements relating to the qualification of judges.[64]

Maybe because of these reasons, or maybe because they simply thought that the traditional composition of courts was enough to respond to complexity in patent litigation, judges attending the most important

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[61] In *re Japanese Elec. Prods. Antitrust Litig.*, 631 F.2d 1069, 1086 (3d Cir. 1980), at 1084. According to the same sentence of the Court of Appeals for the Third Circuit, 'the law presumes that a jury will decide rationally; it will resolve each disputed issue on the basis of a fair and reasonable assessment of the evidence and a fair and reasonable application of relevant legal rules'.

[62] For an elaborated discussion on Judge H Markey's rejection to the 'complexity exception', see J A Alison, 'The role of juries in managing patent enforcement: Judge Howard Markey's opinions and writings' (2009) vol 8, Special issue, The John Marshall Review of Intellectual Property Law, p. 41; However, even in that case, rules of procedure allow some sort of priority as to ensure the correctness and adequate handling of complex patent cases. In *Connell* it was argued that the deference to jury's fact findings in civil cases was subject to their support by substantive evidence. The Rules of Civil Procedure – in particular rule 49(b) – provided both safeguards and alternatives to manage and eventually correct jury's work. See J A Alison, op. cit., p 47.

[63] Likewise, the 'practical abilities and limitations of juries' have also been noticed by the Supreme Court in a sentence that would be the basis of the 'complexity exception'. *Ross v Bernhard*, 396 U.S. 531 (1970), footnote 10.

[64] There are many answers to that question, including the fact that technical judges always sit in minority and have also received some legal education, but it remains to be seen whether this is enough.

European patent judges' forum expressed their reluctance regarding the role of technical judges a decade ago. In 2008, judges attending the Venice European Judges' Forum did not favor the incorporation of technical judges in the future Unified Patent Court. In a survey conducted in that forum, only one third of the judges supported the mandatory involvement of technical judges in the future Unified Patent Court, while the broad majority of legally trained judges rejected their involvement.[65]

4. TECHNICAL JUDGES IN THE UNIFIED PATENT COURT

4.1 Previous Attempts at the Regional Level

Technically qualified judges were present in the initial proposal for a Community Patent Jurisdiction, back in the early 2000s.[66] Technical judges that could help their legally trained peers to understand the technicalities of the case in the areas of mechanics, chemistry and physics would have been hired in the Community Patent Jurisdiction. However, technical judges disappeared in subsequent proposals for a Community Patent Court. Instead, they were replaced by seven 'assistant rapporteurs'[67] in different fields. These were just technical experts, and as such they would participate in the preparation, hearing and deliberation of the case, but not in the decision.

In 2004, the European Patent Litigation Agreement (EPLA) was proposed as an additional protocol to the European Patent Convention. The EPLA negotiations were promoted and managed by the European

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[65] Strong opposition could be felt against the presence of technically qualified judges. In the answers to the Questionnaire on European Patent Judiciary for the Fourth European Judges' Forum, held in 2008 in Venice, judges were split when asked whether to involve a technical judge in actual adjudication. One group voted for the proposal of the Presidency, namely an optional involvement of a technical judge, a second group voted for a mandatory involvement of the technical judge, while a third group voted against a technical judge (Fourth European Judges' Forum, 2008, on file with the author).

[66] Commission working document on the planned Community Patent Jurisdiction (Brussels, 30.08.2002, COM(2002) 480 final).

[67] In the areas of inorganic chemistry, biochemistry, organic and polymer chemistry, general physics, mechanical engineering, information and communication technology, and electrical engineering. See Proposal for a Council Decision establishing the Community Patent Court and concerning appeals before the Court of First Instance (Brussels, 23.12.2003, COM(2003) 828 final).

Patent Office. They provided, therefore, the possibility for non-European Union states to participate in the design of a European patent specialized court. The proposed European Patent Court included technically qualified judges, in similar quantities and with similar functions as in the present Unified Patent Court.

The European Union took the lead again in 2007, and proposed a model that merged the EPLA proposal with an alternative option relating to a 'Community judge' for European and Community patents. Many features of the European Union proposal were coincidental or very similar to what we have today in the Agreement on a Unified Patent Court. This included judges, who would be selected to make up multi-national panels including both legally trained and technically trained judges.[68]

4.2 Requirements to Become a Technical Judge of the Unified Patent Court

Both the Agreement and the Statute of the Unified Patent Court regulate the requirements that must be fulfilled to become a judge of the court.[69] Technically qualified judges shall fulfil the highest standards of competence and must have proven experience in the field of patent litigation,[70] as well as knowledge of civil law and procedure relevant in patent litigation.[71] They may be in possession of a university degree in a field of technology[72] and have expertise in a field of technology.[73] Other requirements are common to judges sitting in other international tribunals. These conditions include having the nationality of a member state,[74] a good command of at least one of the languages of the European Patent Office

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[68] Council of the European Union, The separation of invalidity and infringement proceedings and the use of technical judges in a European Patent Court System, Brussels, 13878/07, 12 October 2007.

[69] Chapters II and III of Part I of the Agreement on an Agreement on a Unified Patent Court (AUPC), enshrining institutional provisions and the articles on the judges of the court, regulate the role of a judge in the UPC. Other relevant provisions can be found in Chapters I and II of the Statute of the UPC.

[70] Article 15.1, the AUPC, 11 January 2013 Doc. 16351/12, although training may substitute the required experience. See also Article 2.1, the Statute of the Unified Patent Court (SUPC).

[71] Article 15.3, the AUPC.

[72] Ibid.

[73] Ibid.

[74] Article 2.1, the SUPC.

and reflect a balanced composition of the court on as broad a geographical basis as possible.[75]

A pool of judges fulfilling these conditions will be established. This pool will be composed of all technically and legally qualified judges of the Court of First Instance (both full-time and part-time). The pool will include at least one technically qualified judge per relevant field of technology, and the entire pool of judges will also be available to the Court of Appeal. As for the total number of judges, in 2008 the Council stated that at least forty technically qualified judges should be appointed, each covering a specialized field of technology. Finally, fifty technically qualified judges will be selected, most of them part-time.

Part-time legally qualified judges are not acceptable in a large majority of countries, since exclusive dedication of judges is generally mandatory. Therefore, the simultaneous participation in the Unified Patent Court and national courts is not possible. In principle, the same situation arises in countries including technically qualified judges. However, two important differences exist. First, in some countries technical judges are part-time judges. They can therefore engage in other professional activities provided that no conflict of interest exists. Second, relatively few countries have technical judges, so double affiliation impacts on legal judges rather than technical judges. This has a number of benefits, particularly at an early stage of the life of the Court, but raises one critical question with respect to part-time technical judges, namely conflict of interest.

4.3 Composition of the Panels

The Agreement on the Unified Patent Court establishes the presence of technically qualified judges regularly at the Court of First Instance Central Division and the Court of Appeal. In the case of the Central Division, all panels shall sit in a composition of two legally qualified judges and one technically qualified judge. As far as the Court of Appeal is concerned, panels shall sit in a composition of three legally qualified judges and two technically qualified judges. In all cases, panels shall be chaired by a legally qualified judge.

Different rules apply to local and regional divisions. In these fora, panels will be integrated by three legally qualified judges.[76] However, if

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[75] Article 3.3, the SUPC.

[76] Two of them chosen from a regional list of judges, who shall be nationals of the Contracting Member States concerned, and one legally qualified judge who shall not be a national of the Contracting Member States concerned and who shall be allocated from the Pool of Judges. Article 8.4, the AUPC.

parties so request, the panel shall ask the President of the Court of First Instance to allocate a technical judge from the Pool of Judges. Judges from the regional and local divisions also have the option to request the presence of a technical judge if the characteristics of the case make it recommendable. Additionally, whenever a counterclaim for revocation is filed in the context of an infringement action and regional divisions decide to take the case, they will ask the President of the Court of First Instance to appoint a technical judge.[77] In any case, regional and local courts can have a maximum of one technical judge.[78]

4.4 Independence of Technically Qualified Judges

The Agreement on the Unified Patent Court states that the Court and its judges shall enjoy judicial independence.[79] It also establishes that full-time judges cannot undertake other jobs, while part-time judges may have other occupations provided that no conflict of interest exists. Conflicts of interest are regulated in the Statute of the Unified Patent Court, which identifies a number of situations where judges may not take part in the proceedings. This will be the case whenever judges have acted as advisers, have been a party or have acted for one of the parties. It will also be the case if judges have been called upon to pronounce as a member of an adjudicatory body or in any other capacity. Other situations include having a personal or financial interest in the case or in relation to one of the parties, or being related to one of the parties or the representatives of the parties by family ties.[80]

This is a good starting point, but conflict of interest may be more complex. This is particularly so because the large majority of technical judges will be part-time judges. Cultural perceptions and different legal traditions play a relevant role when addressing conflict of interest. To start with, the process of becoming a judge may be radically different, and reflect as well a different approach towards independence. In this regard, in many legal orders judges are the result of specialized training programs and have rarely practiced law as litigators. However, in other countries, a condition to become judge is, precisely, to have practiced law before. When judges who are the product of these two different processes meet and discuss conflict of interest, their answers may radically differ.

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77 Article 33(3)(a).
78 Thus the scenarios of Article 8.4 and Article 33(3)a are not cumulative.
79 Article 17, the AUPC.
80 Article 7, the SUPC.

A case in point is Switzerland, where a system combining both legally and technically trained judges with competence to decide both on infringement and validity exists. The norms on conflict of interest applied by the Swiss Federal Patent Court are stricter than those of the Agreement on a Unified Patent Court.[81] For instance, in the Swiss norms conflicts of interest arise not only as a result of the past activities of the technical judge, but also when the judge works for the company concerned in the case. In this regard, the Statute of the Unified Patent Court establishes that a conflict of interest will exist if the technical judge has advised one of the parties in the past. By contrast, the Swiss guidelines foresee as well that a conflict will arise if the company, for instance a legal firm, where the judge works advised at some stage one party on the matter in dispute or a third party also participating in the dispute.[82]

Swiss guidelines on independence are also more specific regarding the personal relations that give place to conflict of interest. They allude not only to 'family ties' as in the case of the Unified Patent Court, but also to 'registered partnership', 'co-habitation' and 'friendship or enmity' with a party or his or her representative. Similarly, Swiss guidelines also are more detailed with respect to other scenarios, and foresee cases that the Unified Patent Court Statute does not mention, such as 'publicly stated opinion on the matter'.

The legal traditions of judges comprising the tribunal will have to be put together to arrive at commonly agreed responses to conflicts of interest relating to part-time technical judges. The jurisprudence of the European Court of Human Rights can be of relevance for that purpose. The European Court of Human Rights has adopted, in fact, a strict stance towards conflict of interest. According to the Court, whilst impartiality usually implies absence of prejudice or bias, its existence can be tested in various ways. A differentiation between a subjective and an objective approach is usually made. The former entails endeavoring to ascertain the

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[81] Swiss norms on independence of part-time judges can be found in the Federal Act of the Patent Court, the Swiss Procedural Code and the Swiss Guidelines on Independence. See 'Guidelines on Independence' in <www.bundespatentgericht.ch/fileadmin/web-dateien/015.222_Richtlinien_zur_Unabhaengigkeit_EN_gueltig_ab_150101.pdf> accessed February 2017.

[82] See the decision of the Swiss Supreme Court ATF 139 III 433 (ref. 4A_142/2013) of 23 August 2013 (holding that a part-time judge – who was a patent attorney – appointed to the Swiss Federal Patent Court had to resign from a case because its company was working with a company affiliated with one party involved in the dispute).

personal conviction of a given judge in a given case, while the objective approach requires determining whether the judge has offered guarantees sufficient to exclude any legitimate doubt. For the Court, 'it is not possible to confine oneself to a purely subjective test. In this area, even appearances may be of a certain importance ... any judge in respect of whom there is a legitimate reason to fear a lack of impartiality must withdraw'.[83] As the European Court of Human Rights has noted 'what is at stake is the confidence which the courts must inspire in the public in a democratic society'.[84]

5. CONCLUSIONS

This chapter has analyzed the advantages and challenges of having technical judges. It has also introduced different experiences in comparative patent law regarding technical judges and, in particular, the presence of technically qualified judges in the Agreement on a Unified Patent Court. The inclusion of technical judges in the new European Patent Court is intended to enhance the quality of the system, and raises interesting institutional and systemic questions for the new court and for patent litigation in general.

The pros and cons of creating specialized intellectual property courts have been thoroughly analyzed in the literature. Among the advantages, efficiency, quality, consistency and uniformity are commonly mentioned.[85] Disadvantages, by contrast, include the costs of establishing and operating a specialized intellectual property court, susceptibility to political or economic influences and the risk of developing too narrow a vision of the legal system. Such a narrow vision is worrisome, in particular in light of the interface between the patent regime and other legal regimes, such as those relating to competition and human rights. Given their technical background and extremely specialized legal experience, technical judges are prone to having a narrow vision of patent law.

This risk can be prevented. Technical judges of the Unified Patent Court have equal legal standing to legal judges and will be involved in the adjudication process from beginning to end. They will take decisions

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[83] ECHR, *Piersack v. Belgium* (1982).

[84] Ibid.

[85] P R Gugliuzza, op. cit., pp. 1447–1448. See also L Baum, op. cit., p. 4. As noted by S Basheer, 'it is widely assumed that a specialist tribunal would possess specialist expertise (over time) and would therefore arrive at relatively more correct decisions'. S Basheer, op. cit.

regarding all sorts of issues of relevance to the case, including questions of a strictly legal nature, and will also participate in the drafting of the sentence. They are not, therefore, mere experts that sit on the bench to clarify technical aspects. This is the reason why it is important that technical judges learn the profession of being a judge or, as Justice Jacob calls it, the business of judging intellectual property disputes.[86] In addition to developing an excellent knowledge of the rules of procedure, they must acquire a sound understanding of fair trial principles and the standing of patent law in the broader legal order. These are, to our understanding, common requirements that are demanded from all judges, including therefore, technical judges.

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[86] See Distinguished speakers keynote lecture by Rt Hon Prof. Sir Robin Jacob on 'The Business of Judging IP Disputes', <http://www.ceipi.edu/en/news/piece-of-news/?tx_ttnews%5Btt_news%5D=9635>, accessed April 2017.

Section 4 Intellectual Property and European Quasi-Judicial Bodies (European Patent Office, European Union Intellectual Property Office and Community Plant Variety Office)

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10. The procedural rules in appeal proceedings before the European Patent Office

Cees Mulder and Marcus Müller

1. INTRODUCTION

Appeal proceedings form the last step in the grant and opposition proceedings before the European Patent Office. If a European patent application is refused by an examining division or if the outcome of opposition proceedings is not to the liking of the patent proprietor and/or the opponent(s), the party or parties can lodge an appeal. In their decisions, the boards of appeal are independent and impartial.[1] The function of appeal proceedings is mainly to give a judicial review of the first instance decision taken by the examining or opposition division.[2] The decisions of the boards of appeal are final and cannot be challenged except, where the patent is maintained, before national courts or the future Unified Patent Court (UPC). Only under very limited conditions can a party to appeal proceedings file a petition for review of the board of appeal's decision to the Enlarged Board of Appeal.[3]

In this chapter the case law of the boards of appeal of the European Patent Office on procedural aspects of appeal proceedings is discussed. A particular focus will be on the role and function of the Rules of Procedure of the Boards of Appeal and their impact on the board's decisions.[4]

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[1] See Articles 23 and 24 EPC and the decisions of the Enlarged Board of Appeal: G 5/91 and G 1/05.

[2] See the decision of the Enlarged Board of Appeal: G 9/91 and G 10/91; the proceedings of G 10/91 were consolidated with those of G 9/91.

[3] See Articles 112a(1) and (2) EPC.

[4] 'Rules of Procedure of the Boards of Appeal of the European Patent Office', Official Journal of the European Patent Office (2007) pp. 536–547.

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After the present introductory section 1, section 2 presents an overview on how appeal proceedings fit in the legal framework of the European Patent Convention (EPC). Section 3 discusses the legal status of the boards of appeal. The initial stages of appeal proceedings are described in section 4. An overview of the extent of the examination by the boards of appeal is given in section 5. In section 6, the Rules of Procedure of the Boards of Appeal are introduced and discussed insofar as these Rules have an effect on the examination by the boards of appeal. The influence of the Rules of Procedure of the Boards of Appeal on the board's decisions is the subject of section 7. A conclusion is given in the last section.[5]

2. INTRODUCTION TO APPEALS

After the grant of a European patent by an examining division of the European Patent Office (EPO),[6] any person may file an opposition.[7,8] Opposition proceedings are conducted by an opposition division of the EPO. Depending on the outcome of the opposition proceedings,[9] the patent proprietor and/or the opponent(s) can file an appeal.[10,11] An appeal may also be filed after the European patent application has been refused by the Examining Division.[12] Appeal proceedings are held before a board of appeal of the EPO. Most cases lie before a technical board of appeal.[13] See Figure 10.1 for an overview of the procedure before the EPO.

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[5] Part of this research has been published in Chapter 4 of: Marcus Müller and Cees Mulder, *Proceedings Before the European Patent Office: A Practical Guide to Success in Opposition and Appeal* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing 2005).

[6] See Article 97(1) EPC.

[7] See Article 99(1) EPC.

[8] The opposition rate is below 5% of the granted European patents (3.7% in 2017). Source: *EPO Annual Report 2017*, www.epo.org/about-us/annual-reports-statistics/annual-report/2017.html.

[9] The outcome of the decisions by the opposition division (2017): opposition rejected: 31%; patent revoked: 27%; patent upheld in amended form: 42%. Source: *EPO Annual Report 2017*, www.epo.org/about-us/annual-reports-statistics/annual-report/2017.html.

[10] See Article 107 EPC.

[11] See Article 108 EPC.

[12] See Article 97(2) EPC.

[13] The legal board of appeal is competent to hear appeals against decisions which do not concern the refusal of the European patent application or the grant of a European patent.

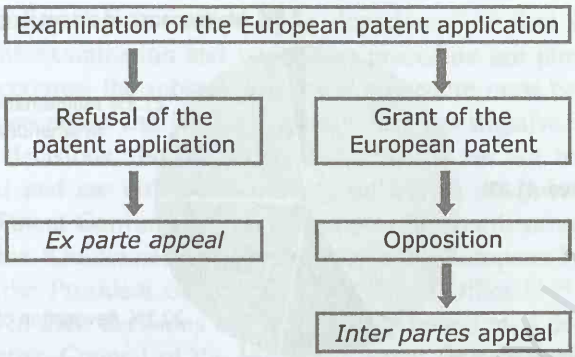

Figure 10.1 Schematic overview of the procedure before the European Patent Office

This chapter focuses on *inter partes* appeal proceedings, that is, appeals filed against decisions of the opposition divisions. Figure 10.2 shows the annual number of *inter partes* appeals filed before the technical boards of appeal.

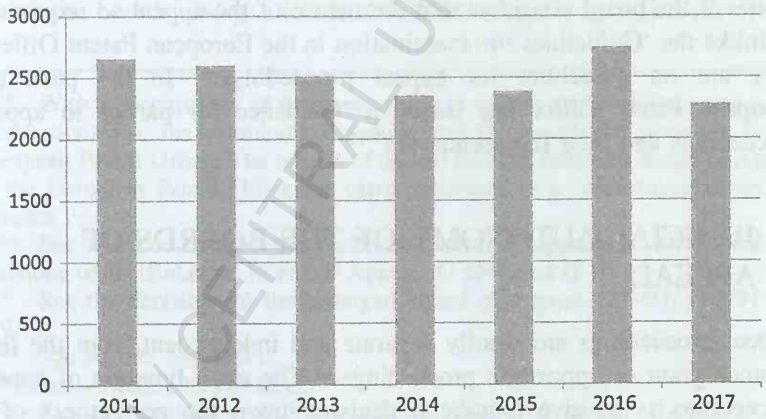

Figure 10.2 Number of inter partes *appeals received by the European Patent Office*

The distribution of the decisions issued by the technical boards of appeal in *inter partes* appeal proceedings is depicted in Figure 10.3.

The composition of a board of appeal depends on the composition of the opposition division. Normally, the board consists of two technically

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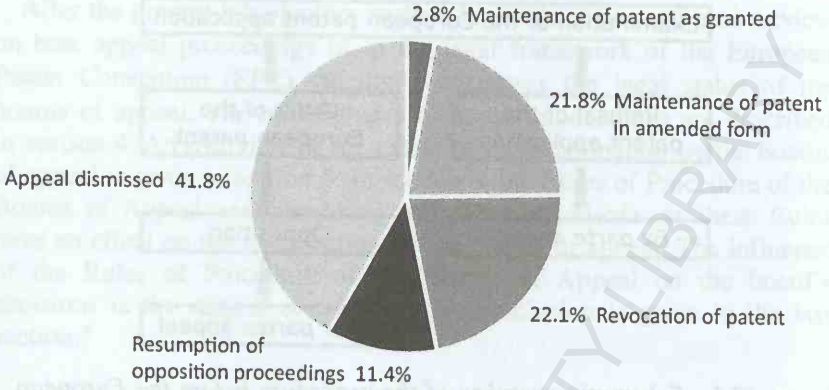
2.8% Maintenance of patent as granted
21.8% Maintenance of patent in amended form
Appeal dismissed 41.8%
22.1% Revocation of patent
Resumption of opposition proceedings 11.4%

Figure 10.3 *Distribution of* inter partes *appeals decided by the technical boards of appeal of the European Patent Office (2017)*

qualified members and one legally qualified member.[14] Where the opposition division consisted of four members, the board consists of three technically and two legally qualified members.[15] The latter also applies if the board considers that the nature of the appeal so requires.

Unlike the 'Guidelines for examination in the European Patent Office', there are no guidelines for appeal proceedings.[16] In the past, the European Patent Office has issued a 'Guidance for parties to appeal proceedings and their representatives'.[17]

3. JUDICIAL AUTONOMY OF THE BOARDS OF APPEAL

Appeal proceedings are wholly separate and independent from the first instance grant or opposition proceedings.[18] The main function of appeal proceedings is to give a judicial decision upon the correctness of a

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[14] See Article 21(3)(a) EPC.

[15] See Article 21(3)(b) EPC.

[16] There are no 'Guidelines for appeal proceedings' because the boards of appeal are only bound by the EPC.

[17] 'Guidance for parties to appeal proceedings and their representatives', Official Journal of the European Patent Office (2003) pp. 419–430. The content of this publication and the references given therein are partly out of date.

[18] See the decisions of the Enlarged Board of Appeal: G 9/91 and G 10/91.

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separate earlier decision taken by a department of first instance.[19,20] Whereas the examination and opposition procedure are purely administrative procedures, the subsequent appeal procedure must be regarded as a judicial procedure and is, consequently, less investigative.[21]

In their decisions, the members of the boards are not bound by any instructions and are obliged to comply only with the provisions of the European Patent Convention.[22] For example, the boards of appeal are not bound by the 'Guidelines for examination in the European Patent Office' issued by the President of the European Patent Office.[23,24] In addition, the boards in their decisions are not formally bound by a decision of the Administrative Council of the European Patent Organisation concerning the interpretation of the EPC.[25,26] For the purpose of interpreting the European Patent Convention, the boards apply the rules of interpretation of treaties as laid down in section 3 of Part III of the Vienna Convention on the Law of Treaties.[27]

The European Patent Convention contains several provisions for safeguarding the impartiality and objectivity of members of the boards of appeal.[28,29] In particular, a member of a board of appeal must not have participated in the decision under appeal.[30] Another important provision is that the boards always include at least one legally qualified member.[31]

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[19] With a 'department of first instance' it is meant: the receiving section, the search divisions, the examining divisions and the opposition divisions of the European Patent Office. The boards of appeal and the Enlarged Board of Appeal of the European Patent Office are often addressed as a 'department of second instance'.

[20] See the decision of the technical board of appeal: T 34/90 and the decisions of the Enlarged Board of Appeal: G 9/91 and G 10/91.

[21] See the decisions of the Enlarged Board of Appeal: G 7/91, G 8/91 and G 9/91.

[22] See Article 23(3) EPC.

[23] See Article 10(2)(a) EPC.

[24] See the decisions of the technical boards of appeal: T 552/02 and T 1741/08.

[25] See Article 4(2)(a) EPC.

[26] See the decision of the legal board of appeal: J 16/96.

[27] See the decision of the Enlarged Board of Appeal: G 5/83.

[28] See Article 24(1) EPC.

[29] See the decision of the Enlarged Board of Appeal: G 2/08.

[30] Contrary to the members of the boards of appeal, it is permissible for one member of an opposition division to have taken part in the proceedings for grant of the patent to which the opposition related (see Article 19(2) EPC).

[31] See Articles 21(3) and (4) EPC.

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The Enlarged Board of Appeal considers the boards of appeal to have the status of judicial authorities.[32,33] The judicial nature of the boards was confirmed by various decisions by several high-ranking courts at the national level.[34] The legitimacy of appeal proceedings has also been recognised by the European Court of Human Rights.

From the above it can be concluded that the boards of appeal of the European Patent Office are to be regarded as specialised and independent courts exercising judicial authority.

4. INITIAL STAGES OF APPEAL PROCEEDINGS

Appeal proceedings are initiated when a party to opposition proceedings files a notice of appeal.[35] This has to be done within two months from the notification of the decision of the opposition division.[36,37] The requirements for the content of the notice of appeal are specified in the Implementing Regulations of the European Patent Convention.[38]

Only a party which is adversely affected by the decision taken by the opposition division may file an appeal.[39] If another party to the proceedings is entitled to file an appeal but refrains from doing so, it becomes a party as of right.[40,41]

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[32] See the decision of the Enlarged Board of Appeal: G 1/97. The fact that the boards of appeal are 'courts' was established in the decision of the Enlarged Board of Appeal: G 1/86 (point 14 of the Reasons).

[33] Also see *Case Law of the Boards of Appeal of the European Patent Office* (8th edition, July 2016) Chapter VII.1, www.epo.org/law-practice/case-law-appeals/publications.html.

[34] For example, by the High Court of Justice (GB), the *Bundesgerichtshof* (DE) and the *Bundesverfassungsgericht* (DE).

[35] As mentioned before, this chapter focuses on *inter partes* appeal proceedings, that is, appeals filed against decisions of the opposition divisions (Articles 101(2) and (3) EPC). In *ex parte* appeal proceedings, the notice of appeal has to be filed within two months of the notification of the decision by the Examining Division to refuse the patent application (Article 97(2) EPC).

[36] See Articles 101(2) and (3) EPC.

[37] See Article 108, first sentence, EPC.

[38] See Rule 99(1) EPC.

[39] See Article 107, first sentence, EPC.

[40] See Article 107, second sentence, EPC.

[41] A party as of right has no right to continue the proceedings if the sole appellant withdraws his appeal. See the decision of the Enlarged Board of Appeal: G 2/91.

Within four months from the notification of the decision of the opposition division, a statement of grounds of appeal must be filed.[42] This statement must contain the reasons for setting aside the disputed decision or the extent to which the decision is to be amended.[43] In addition, the statement must specify the facts and evidence on which the appeal is to be based.[44]

If the notice of appeal is regarded as filed, the admissibility thereof will be assessed as a next step.[45] The assessment of admissibility as regards formal requirements is largely analogous to the admissibility assessment of the notice of opposition. For the latter, the 'Guidelines for examination in the European Patent Office' provide comprehensive guidance.[46] These can be applied *mutatis mutandis* in appeal proceedings. As regards the statement of grounds of appeal, this must be substantiated in such a way that the board and the other party is put in a position to understand why the appealing party thinks the appealed decision is to be reversed.

5. EXTENT OF EXAMINATION

If the appeal is admissible, the board of appeal starts with the examination of whether the appeal is allowable.[47] It will in particular examine whether any of the grounds of appeal justifies a rectification of the impugned decision.[48,49]

The European Patent Convention foresees the possibility of *ex officio* examination, that is, that facts, evidence and arguments can be examined

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[42] See Article 108, last sentence, EPC.

[43] See Rule 99(2) EPC.

[44] Ibid.

[45] See Rule 101 EPC.

[46] See European Patent Office, 'Guidelines for examination in the European Patent Office' (2017) Part D, Chapter IV, § 1.2.2, www.epo.org/law-practice/legal-texts/guidelines.html.

[47] See Article 110 EPC.

[48] This interpretation can be inferred from the French version of Article 110, first sentence, EPC: *Si le recours est recevable, la chambre de recours examine s'il peut y être fait droit.* Also compare the English text with the German text: *Ist die Beschwerde zulässig, so prüft die Beschwerdekammer, ob die Beschwerde begründet ist.*

[49] The three texts of the European Patent Convention in the three official languages of the European Patent Office, that is, English, French and German, are equally authentic (Article 177(1) EPC).

on the office's own motion.[50] While this in principle also applies to appeal proceedings, *ex officio* examination is applied in these proceedings in a more restrictive manner than in the first instance examination and opposition proceedings.[51] As a consequence, a 'fresh' ground for opposition raised by an opponent may not be introduced at the appeal stage, unless agreement is obtained from the proprietor of the patent.[52] This is to be regarded as a leading principle in appeal proceedings. The criterion of prima facie relevance, which is frequently applied in opposition proceedings, does thus not automatically apply in appeal proceedings.[53]

6. RULES OF PROCEDURE OF THE BOARDS OF APPEAL

The 'Rules of Procedure of the Boards of Appeal of the European Patent Office' (hereinafter RPBA) are adopted by the Boards of Appeal Committee. They enter into force when approved and adopted by the Administrative Council of the European Patent Organisation.[54,55]

The Rules of Procedure of the Boards of Appeal have a direct influence on the manner on how appeal proceedings evolve. In particular, certain articles of the rules of procedure impose limitations on the freedom of the parties during the appeal proceedings. As will be

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[50] See Article 114(1) EPC.

[51] See the decisions of the Enlarged Board of Appeal: G 9/91 and G 10/91.

[52] See the decisions of the Enlarged Board of Appeal: G 9/91 and G 10/91. Also see: G 1/95 and G 7/95.

[53] See the decisions of the Enlarged Board of Appeal: G 9/91 and G 10/91.

[54] 'Rules of Procedure of the Boards of Appeal of the European Patent Office', Official Journal of the European Patent Office (2007) pp. 536–547. The Official Journal of the EPO annually publishes: *Information from the Boards of Appeal Presidium, business distribution and texts relating to the proceedings* which includes the latest version of the Rules of Procedure of the Boards of Appeal. See the Official Journal of the European Patent Office (2018) Supplementary Publication 1, item III.2.

[55] The first set of 'Rules of Procedure of the Boards of Appeal of the European Patent Office' were adopted by the Administrative Council on 6 June 1980; see the Official Journal of the European Patent Office (1980) pp. 171–175. Also see the decision of the technical board of appeal: T 1100/10. Since their first adoption, the Rules of Procedure have been amended a couple of times. Upon entry into force of the revised European Patent Convention EPC 2000 on 13 December 2007, the Administrative Council adopted an amended (and renumbered) version of the Rules of Procedure. Since then the Rules of Procedure of the Boards of Appeal have not been amended (situation May 2018).

discussed below, in particular, Article 12 Basis of proceedings and Article 13 Amendment to a party's case may affect the course of appeal proceedings. In certain situations, the application of the rules of procedure by a board of appeal may have a detrimental effect on the appellant, that is, the appeal is dismissed, or as the case may be, the respondent. This may happen if the party or parties are not sufficiently aware of the impact of the restrictions laid down in Articles 12 and 13 of the Rules of Procedure of the Boards of Appeal.

The first requirement of the RPBA in relation to what is essential to appeal proceedings is given in Article 12(2) RPBA. This article prescribes that the statement of grounds of appeal by the appellant and the reply by the respondent must 'contain a party's complete case'. This requirement is explicated in the subsequent sentence: the statement of grounds by the appellant as well as the reply by the respondent must set out clearly and concisely the reasons why it is requested that the decision under appeal be reversed, amended or upheld. In addition, the statement and reply should specify expressly all the facts, arguments and evidence relied on. This first requirement implies that, in principle, nothing can be added or amended once the appealing party has filed its grounds of appeal and once the respondent has been given the opportunity to reflect on these grounds.

A second requirement of the Rules of Procedure of the Boards of Appeal in relation to the course of the appeal proceedings is Article 12(4) RPBA. According to this article, the board has the power to hold inadmissible facts, evidence or claim requests which could have been presented or were not admitted in the first instance proceedings. Apart from that, in principle, everything presented by the appellant in the grounds of appeal and any written reply of the respondent filed thereafter will be taken into account by the board if and to the extent it relates to the case under appeal and insofar it is compliant with the requirements in Article 12(2) RPBA.

Two other requirements of the Rules of Procedure of the Boards of Appeal need to be mentioned here. They relate to the freedom of the parties to proceedings to amend their case in the course of appeal proceedings. According to Article 13(1) RPBA, any amendment to a party's case after the appellant has filed his grounds of appeal or after the respondent has filed his reply, may only be admitted and considered at the board's discretion. This discretion is exercised in view of inter alia the complexity of the new subject-matter submitted, the current state of the proceedings and the need for procedural economy. And finally, according to Article 13(3) RPBA, amendments sought to be made after oral proceedings have been arranged will not be admitted into appeal

proceedings if they raise issues which the board or the other party or parties cannot reasonably be expected to deal with without adjournment of the oral proceedings.

The stages of the appeal proceedings to which the criteria set out in Articles 12(2), 12(4), 13(1) and 13(3) RPBA apply are graphically illustrated in Figure 10.4.

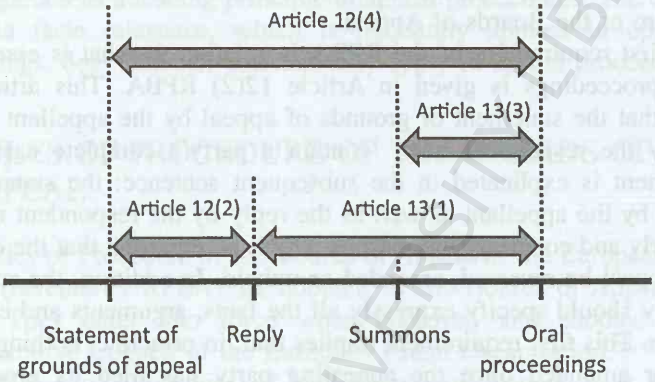

Figure 10.4 Applicability of Articles 12 and 13 of the Rules of Procedure of the Boards of Appeal to the different stages of the appeal proceedings

7. INFLUENCE OF THE RULES OF PROCEDURE OF THE BOARDS OF APPEAL ON THE DECISIONS OF THE BOARDS OF APPEAL

In this section, it is investigated how the Rules of Procedure of the Boards of Appeal affect the decisions of the boards on admissibility of new submissions in appeal proceedings.

7.1 Influence of Article 12(4) RPBA

7.1.1 New claim requests

Throughout appeal proceedings, the board has the discretion under Article 12(4) RPBA not to admit claim requests that could already have been filed in the opposition proceedings. However, the mere fact that a claim request could have been filed in opposition proceedings as such does not automatically lead to the inadmissibility of this request. On the

contrary, such a request is, normally, inadmissible only in exceptional circumstances. For example, such circumstances may arise where, by the filing of a request only at the appeal stage, a decision by the opposition division on certain issues was avoided and the decision was shifted to the second instance.[56]

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When exercising its discretion under Article 12(4) RPBA, the board is required to prevent the use of the appeal procedure in a way which counters the interest in a fair and reliable conduct of judicial proceedings.[57] A patent proprietor withholding (and not just having the theoretical possibility to file) claim requests in opposition proceedings is precluded from having those requests admitted on appeal. Otherwise the patent proprietor would be permitted to disadvantage the other parties by (ab)using the appeal proceedings as a second go for opposition proceedings.[58, 59] The admission of a new claim request remains a matter of discretion, which may or may not be exercised in the favour of a party, on the basis of the facts of the individual case. This legal principle has also been confirmed by the Enlarged Board of Appeal.[60]

A case illustrating this is the following: the opposition division decided to revoke the patent by not admitting the proprietor's sole request filed during the oral proceedings, and the proprietor had refused to amend that request and/or to file auxiliary requests. With the statement of grounds of appeal, the proprietor as appellant filed a main request which was identical to the sole request *not* admitted in opposition proceedings, and several auxiliary requests. The proprietor argued that during the oral proceedings before the opposition division he had seen no reasonable chance of success with the main request or any new requests, and had therefore decided to seek redress at the department of second instance. The board stated that appeal proceedings were not just an alternative way of dealing with and deciding upon an opposition and that parties to first instance proceedings were not at liberty to bring about the shifting of their case to the second instance as they pleased, and so compel the board of appeal either to give a first ruling on the critical issues or to remit the case to the department of first instance.[61] The board reasoned that such

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[56] See the decision of the technical board of appeal: T 134/11.

[57] See the decision of the technical board of appeal: T 23/10.

[58] Ibid.

[59] This principle was endorsed by the Enlarged Board of Appeal in relation to the petition for review: R 13/11.

[60] See the decisions of the Enlarged Board of Appeal in relation to the petition for review: R 10/09 and R 11/11.

[61] See the decision of the technical board of appeal: T 1067/08.

behaviour would allow a kind of 'forum shopping' which would jeopardise the proper distribution of functions between the opposition divisions and the boards of appeal and would be absolutely unacceptable for procedural economy generally. As a consequence, the board decided not to admit the main and auxiliary requests into the appeal proceedings and stated that the exercise of the powers under Article 12(4) RPBA was justified where a party's conduct had in effect prevented the opposition division from giving a reasoned decision on the critical issues. Granting to a party the freedom to choose what instance deals with its requests would be counterproductive to orderly and efficient proceedings.[62]

In the same way, the boards of appeal normally do not allow a party to re-submit a claim set which was withdrawn in opposition proceedings, in particular where the withdrawal of the request prevented the opposition division being able to decide on the issues at stake.[63]

However, the filing of a new claim request in appeal may be admitted by the boards of appeal if the amendment can be justified by the normal development of the proceedings, even if the patent proprietor had been asked by the opposition division whether it wished to file a new request.[64] For example, in one case, the board considered the filing of a new main request to be a legitimate and a normal reaction to the decision to revoke the patent by the opposition division, because the amendment concerned the addition of a feature of a dependent claim further limiting the subject-matter. Moreover, the request was filed at the earliest possible stage of the appeal proceedings, namely with the statement of grounds. The filing of this request therefore did not give rise to any procedural complications preventing a discussion of the request at the oral proceedings. Hence, the filing of the amendment was justified by the normal development of the proceedings and did, therefore, not contravene Article 12(4) RPBA.[65]

7.1.2 New facts or evidence

In the same way as the filing of new claim requests in appeal proceedings, the filing of new facts or evidence together with the statement of grounds of appeal by the appellant, or with the response thereto by the respondent, is subject to Article 12(4) RPBA. Accordingly, the board may decide not to admit any new fact or evidence where it could and actually

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[62] Ibid.

[63] See the decisions of the technical boards of appeal: T 390/07, T 361/08, T 691/09, T 495/10 and T 1525/10.

[64] See the decision of the technical board of appeal: T 848/09.

[65] See the decision of the technical board of appeal: T 848/09.

should have already been filed during first instance proceedings. However, where the new fact or evidence is a reaction to the reasoning in the decision of the opposition division, it is normally admitted by the boards.[66] For example, the boards of appeal consider it a normal action of a party, which has lost in first instance, to file new evidence in the statement of the grounds of appeal if this evidence assists in overturning the appealed decision and fills the gaps in its previous arguments.[67,68] It is in particular generally accepted to submit new experimental data with the statement of grounds of appeal, if these data are a clear response to the decision under appeal, for example if the data support the arguments of the patentee as appellant on substantive issues of patentability of the invention. The same applies where an opponent, upon filing the statement of grounds of appeal, submits a new document as a reaction to claim amendments filed during oral proceedings before the opposition division.[69]

However, in particular where the new fact or evidence lies in the private sphere of a party to proceedings, this evidence should already have been submitted in the opposition proceedings. If such evidence is only put forward in appeal proceedings, the board of appeal may exercise its discretionary power under Article 114(2) EPC and Article 12(4) RPBA not to admit the new fact or evidence.[70]

7.2 Influence of Article 13(1) RPBA

7.2.1 New claim requests

Article 13(1) RPBA concerns the admissibility of any submissions filed after the grounds of appeal by the appellant and the reply thereto by the respondent (see Figure 10.4). A decisive criterion for admissibility of a new claim request under Article 13(1) RPBA is the complexity of the amendments. In this respect, the concept of 'complexity' is not restricted to the technical content of the proposed amendment, it also applies to any procedural complexity the amendment may cause. For example, an amendment is regarded as complex in a procedural sense if a new feature is taken from the description, has never been relied on or even discussed

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[66] See the decision of the technical board of appeal: T 295/08.

[67] See the decision of the technical board of appeal: T 406/09.

[68] See the decision of the technical board of appeal: T 295/08 referring to T 1072/98 and T 540/01.

[69] See the decision of the technical board of appeal: T 736/99.

[70] See the decision of the legal board of appeal: J 5/11.

previously at any stage of the opposition or appeal proceedings, and was not taken into account in any prior art searches.[71]

Additional criteria mentioned in Article 13(1) RPBA are the state of the proceedings and the need for procedural economy.

Although the belated filing of claim requests is inherently fraught with the risk that they be disregarded, the situation is, nonetheless, rather frequently encountered. Accordingly, there is a richness of decisions by the boards of appeal that define the circumstances which may arise, and the criteria which should be fulfilled, to justify the admission of these requests.[72, 73] Normally, late-filed claim requests are rejected by the board as inadmissible where they are directed to subject-matter which prima facie is not allowable. However, claims are generally admitted under Article 13(1) RPBA if clearly allowable, that is, if the board can quickly ascertain that they do not give rise to new objections and overcome all outstanding objections, and their patentability can thus be assessed without giving rise to any difficulty or delay.[74]

As far as procedural economy is concerned, an amendment at a late stage in the proceedings is justifiable if it is an appropriate and immediate reaction to unforeseeable developments in the previous proceedings which do not lie in the responsibility of the party submitting the amendment.[75]

7.2.2 New facts or evidence

Article 13(1) RPBA also restricts the admissibility of new facts or evidence submitted after the filing of the grounds of appeal or the reply thereto by the respondent.

For instance, in one case, a new inventive step attack on the basis of a new closest prior art document made for the first time during the oral proceedings was considered to come as a complete surprise to both the patent proprietor as respondent and the board. The attack, even though being based on evidence already on file at the start of the opposition

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[71] See the decision of the technical board of appeal: T 316/08.

[72] See the decision of the technical board of appeal: T 516/06.

[73] Also see *Case Law of the Boards of Appeal of the European Patent Office* (7th edition, September 2013) Chapter IV.E.4.4.

[74] See, for example, the decisions of the technical boards of appeal: T 421/09 and T 1785/07.

[75] See the decision of the technical board of appeal: T 1990/07.

proceedings, represented in the board's view an amendment to the appellant's case and raised complex new issues and was therefore not admitted.[76]

In a similar case, the board did not admit under Article 13(1) RPBA two late filed objections of added subject-matter and lack of novelty which had been substantiated for the first time after filing the statement of grounds of appeal.[77]

7.3 Influence of Article 13(3) RPBA

7.3.1 New claim requests

After the summons to oral proceedings has been issued by the board of appeal, a further restricting criterion in relation to admissibility comes into play, that is, that of Article 13(3) RPBA (see Figure 10.4). This criterion is that any new claim request filed after the summons will not be admitted if it raises issues which the board or the other party or parties cannot reasonably be expected to deal with without adjournment of the oral proceedings.

Both the timing of the filing of amended claims and the difficulty involved in examining them are important criteria for deciding whether they can be admitted to the proceedings.[78] In particular, the later a request is filed, the less likely it will be held admissible.[79] Furthermore, the more complex the issues raised by amendments and the later those amendments are filed, the greater the risk that the remaining time is insufficient to consider them properly.[80]

For example, an appellant filed a new claim request during the oral proceedings stating that he was faced with an unexpected situation when the board took a position on novelty in a different way than the opposition division. The board did not admit the new claim request and held that the fact that a board of appeal reverses a conclusion reached in a decision at first instance is a matter which a party must always be prepared for.[81]

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[76] See the decision of the technical board of appeal: T 1761/10.
[77] See the decision of the technical board of appeal: T 1488/01.
[78] See the decision of the technical board of appeal: T 397/01.
[79] See the decision of the technical board of appeal: T 942/01.
[80] See the decision of the technical board of appeal: T 81/03.
[81] See the decision of the technical board of appeal: T 708/05.

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7.3.2 New facts or evidence

Article 13(3) RPBA also restricts the filing of new facts and evidence after the summons for oral proceedings has been issued. The same criterion for admissibility as for late-filed claim requests is applied: the new facts and evidence will not be admitted into the proceedings if they raise issues which the board or the other party or parties cannot reasonably be expected to deal with without adjournment of the oral proceedings.

For example, two documents were already filed with the notice of opposition, but they had never been addressed in the written stage of the appeal proceedings. It was only during oral proceedings before the board of appeal that the opponent as appellant relied on these documents. The board did not allow the appellant to amend its case in this way at such a late stage of the proceedings.[82]

In another case, the appellant filed a new (uncertified) English translation of the original claims one month before the oral proceedings which showed differences with the original English translation of the claims which was filed upon entry into the regional phase before the European Patent Office (in Japanese). The board did not admit the new translation into the proceedings because it was regarded late filed. In the subsequent proceedings, the board continued to assume that the original English translation was in conformity with the original claims in Japanese. In addition, the board rejected requests of the appellant that the case be remitted to the opposition division, or that the proceedings before the board be adjourned and the new translation be considered.[83]

7.4 Statistical Information

From the above discussion, it becomes clear that Article 12(4), and Articles 13(1) and (3) of the Rules of Procedure of the Boards of Appeal play a significant role in the course of appeal proceeding. This is supported by the graphs in Figures 10.5, 10.6 and 10.7, respectively.

Detailed statistics in relation to revocations issued by the boards of appeal can be found in an article by Maarten Nollen.[84]

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[82] See the decision of the technical board of appeal: T 179/10.

[83] See the decision of the technical board of appeal: T 265/11.

[84] M. Nollen, Revocations by the Board of Appeal – Statistics and Analysis, *epi* Information (2015), issue no. 1, pp. 15–21; patentepi.com/en/epi-information/epi-information.html.

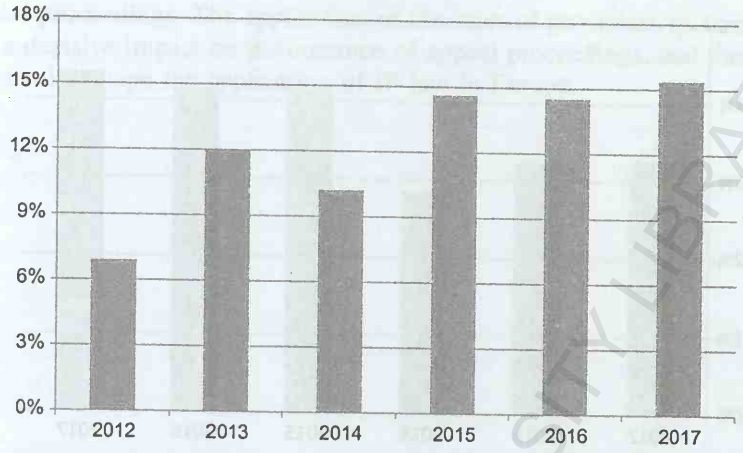

Figure 10.5 *The percentage of cases before the technical boards of appeal where in the 'Reasons for the Decision' reference is made to Article 12(4) RPBA: the data are grouped per year in which the decision was published on the EPO website (data generated by Cees Mulder)*

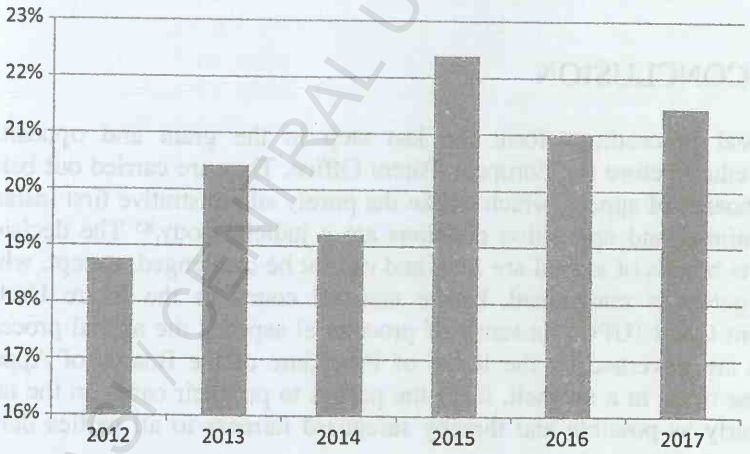

Figure 10.6 *The percentage of cases before the technical boards of appeal where in the 'Reasons for the Decision' reference is made to Article 13(1) RPBA: the data are grouped per year in which the decision was published on the EPO website (data generated by Cees Mulder)*

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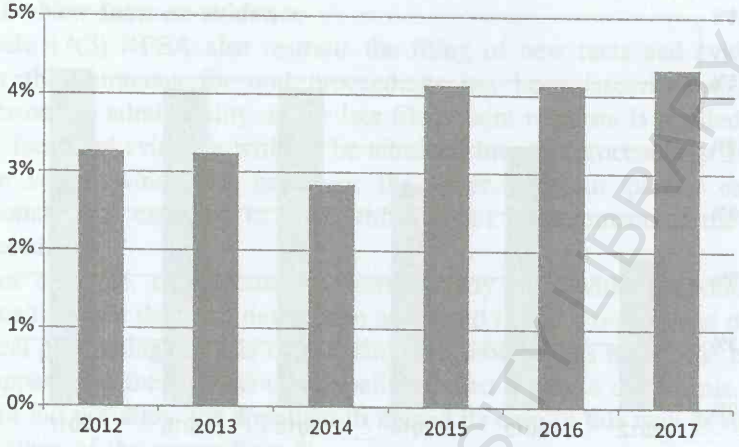

Figure 10.7 The percentage of cases before the technical boards of appeal where in the 'Reasons for the Decision' reference is made to Article 13(3) RPBA: the data are grouped per year in which the decision was published on the EPO website (data generated by Cees Mulder)

8. CONCLUSION

Appeal proceedings form the last step in the grant and opposition procedure before the European Patent Office. They are carried out before the boards of appeal, which unlike the purely administrative first instance examining and opposition divisions are a judicial body.[85] The decisions of the boards of appeal are final and cannot be challenged, except, where the patent is maintained, before national courts or the future Unified Patent Court (UPC). In terms of procedural aspects, the appeal proceedings are governed by the Rules of Procedure of the Boards of Appeal. These rules, in a nutshell, force the parties to put their cards on the table as early as possible and thereby safeguard fairness to all parties during

[85] The author (CM) is of the opinion that in order to further emphasise their independence, it would be better if the boards of appeal were to become a 'third' organ of the European Patent Organisation (Article 4(2) EPC), instead of being a department entrusted with the procedure of the European Patent Office (Article 15 EPC). To achieve this, the European Patent Convention should be revised by a Diplomatic Conference of the EPC Contracting States (Article 172(1) EPC).

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appeal proceedings. The application of the rules of procedure quite often has a decisive impact on the outcome of appeal proceedings, and thereby these rules shape the application of IP law in Europe.

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11. The functioning of the Community Plant Variety Office Board of Appeal[1]

Martin Ekvad

1. INTRODUCTION

The purpose of this paper is to explain the practical functioning of the Community Plant Variety Office (hereinafter CPVO or the Office) Board of Appeal (hereinafter the Board of Appeal or the Board) and to draw some conclusions on whether it has fulfilled the objectives for which it was established. The paper will not deal with the substance of the jurisprudence of the Board. A summary and a full text of all cases of the Board of Appeal can be found on the website of the Office.

Section 2 offers background information on the system and the criteria for granting an EU plant variety right. The intention is to make the reading of the paper more accessible for those not acquainted with the EU plant variety right system.

2. THE EU SYSTEM FOR PLANT VARIETY RIGHTS – IN A NUTSHELL

2.1 Introduction

The purpose of plant breeding is to modify plants genetically in such a manner that they adapt more appropriately to the needs of human beings. Plant breeding is as old as agriculture, and its objectives are closely

[1] The paper is based on a presentation I made at the Centre for International Intellectual Property Studies (CEIPI) on 29 January 2016. Thanks to Alejandra Aluja for helping me to draft the paper. I nevertheless take full responsibility for the content including potential mistakes.

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related to the general objectives of agricultural plant production such as increasing plant productivity and quality by developing varieties with improved yield and better resistance to plant pests or diseases.

In this context, plant variety rights present a number of challenges that are different from those faced in other areas. Such challenges include the need to increase food production, for a growing world population with scarce resources and increasingly inconstant weather events, the constant need to adapt to climate change, and an increasingly complex regulatory set of rules.

The creation of new plant varieties also contribute hugely to the economy. This is certainly true for varieties that are used in the food and feed production but it is equally true for varieties in the ornamental sector. Breeding in ornamentals results in new beautiful varieties which are appealing to consumers. Ornamental varieties represents more than 50% of the number of applications received by the CPVO per year.

The intellectual property protection for plant varieties is tailor-made as a *sui generis* system under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), which explicitly addresses plant intellectual property. TRIPS outlines that members shall provide protection of plant varieties either by patents or by an effective *sui generis* system or by any combination thereof (Article 27(1), TRIPS). The International Convention for the Protection of New Varieties of Plants (the 'UPOV Convention'), adopted in Paris in 1961, introduced the modern concept of the *sui generis* plant breeders' right protection and established a legal framework for plant breeders' rights systems worldwide.

The EU system is based on the system set up by the UPOV Convention, and it is implemented at national level by the contracting parties thereto, including 24 Member States of the EU.[2] The EU is also a contracting party to the UPOV Convention in its capacity as an intergovernmental organization.

The EU system is run by the Community Plant Variety Office, an EU agency with an independent legal status, fully self-financed by the fees charged for the services rendered. The Office has been operational since 1995 and is based in Angers (France). The legal basis of the system is found in Council Regulation (EC) No 2100/94[3] (hereinafter the Basic Regulation or BR). In addition, there are three Commission Regulations

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[2] It should be noted that the EU Member States Greece, Cyprus, Luxembourg and Malta are not contracting parties to the UPOV Convention.

[3] Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights [1994] OJ L227.

relating to proceedings before the Office,[4] fees payable to the Office[5] and the agricultural exemption.[6]

2.2 Criteria to Grant a Community Plant Variety Right (CPVR)

A variety is a plant grouping within a single botanical taxon of the lowest known rank, which grouping can be defined by the expression of the characteristics that results from a given genotype or combination of genotypes, distinguished from any other plant grouping by the expression of at least one of the said characteristics, and considered as a unit with regard to its suitability for being propagated whilst remaining unchanged.[7]

In order to be protectable, a variety is required to be clearly distinguishable from any other variety whose existence is a matter of common knowledge at the time of the filing of the application. The variety must also be uniform, with allowances being made for the variation that may be expected from the particular features of its propagation. The variety must also be stable: its relevant characteristics must remain unchanged after repeated propagation. In addition to the above, each variety must be new and be given a suitable denomination.

The Office has not created its own technical infrastructure. Technical examinations to confirm distinctness, uniformity and stability (DUS) are carried out by the Examination Offices entrusted by the Administrative Council of the Office (also referred to as the AC below). The cooperation between the Office and Examination Offices is fundamental for the functioning of the EU system. The entrustment and quality requirements set the standards for DUS testing and the operation of Examination Offices. The Office's quality audit service (QAS) carries out regular assessments of the Examination Offices in order to verify whether they

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[4] Commission Regulation (EC) No 874/2009 of 17 September 2009 establishing implementing rules for the application of Council Regulation (EC) No 2100/94 as regards proceedings before the Community Plant Variety Office [2009] OJ L251/3, hereinafter the 'Proceedings Regulation'.

[5] Commission Regulation (EC) No 1238/95 of 31 May 1995 establishing implementing rules for the application of Council Regulation (EC) No 2100/94 as regards the fees payable to the Community Plant Variety Office [1995] OJ L121, hereinafter the 'Fees Regulation'.

[6] Commission Regulation (EC) No 1768/95 of 24 July 1995 implementing rules on the agricultural exemption provided for in Article 14(3) of Council Regulation (EC) No 2100/94 on Community plant variety rights [1995] OJ L173.

[7] Article 5, Basic Regulation.

fulfil the entrustment requirements when testing candidate varieties against the DUS criteria.

Technical examinations are carried out according to CPVO technical protocols. The CPVO's technical protocols are based on the relevant UPOV guidelines; they often incorporate additional clarifications as deemed necessary by the Office and national crop experts. The said technical protocols set out a compulsory list of characteristics and are formally adopted by the AC. The effect in practice is that the competent Examination Offices apply the same standards, irrespective of whether they examine national applications or act as Examination Offices on behalf of the Office.

3. FUNCTIONING OF THE BOARD

3.1 Set-up

3.1.1 Quasi-judicial body

The Board of Appeal is responsible for deciding on appeals lodged against decisions of the Office.

The setting up of the Board of Appeal was necessary in order to guarantee access to justice, in line with the fundamental right of fair and independent access to justice. To my mind, its functioning is similar to that of a court. However, the Board of Appeal is not defined as a court. The term 'court or tribunal' has been interpreted by the Court of Justice of the EU (CJEU) when assessing the applicability of Article 267 of the Treaty on the Functioning of the European Union (TFEU) (former Article 234 of the Treaty Establishing the European Community). Under this Article courts and tribunals in EU Member States may ask the CJEU for a preliminary ruling on the interpretation of EU law. The CJEU has held that in order to qualify as court or tribunal within the meaning of Article 267 TFEU a series of objective criteria must be fulfilled such as the legal foundation of the body, its permanent character, the obligatory jurisdiction, the contentious nature of its proceedings, the consistent application of legal norms by the body as well as its judicial and political independence.[8] Although the Board of Appeal fulfils most if not all of the above listed criteria the General Court has defined the Board as a

[8] *Elizabeth Florence Emanuel v Continental Shelf 128 Ltd* (Case C-259/04) EU:C:2006:215, para 19.

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'quasi-judicial body'.[9] The said definition emphasizes the role of the Board of Appeal having powers and procedures resembling those of a court or a judge. The Board is obliged to objectively determine facts and draw conclusions from said facts so as to provide the basis of a decision. Consequently, such actions may remedy a situation and may affect the legal rights, duties or privileges of specific parties to proceedings.

3.1.2 Composition of the Board of Appeal

The Board of Appeal comprises one Chairperson and his/her alternate appointed by the Council of the European Union and two other members selected by the Chairperson from a list adopted by the Administrative Council in accordance with the procedure laid down in Article 47(2) of the Basic Regulation. The Chairperson shall be legally qualified and his/her mandate shall last five years, with the possibility to be renewed for another five years. If the mandate of the Chairperson has been renewed for a second period, the post will not be renewed for a third time. Under principles adopted by the Commission, the post will then be published. There is a possibility for the incumbent Chairperson to reapply if he/she is interested in continuing in that function.

Due to the technical nature of the decisions adopted by the Office on plant varieties the Board of Appeal must make sure that an adequate number of both legally and technically qualified members are made available. The AC adopts a list of technically and/or legally qualified candidates for five years on a proposal from the Office. For the period from February 2016 until February 2021, 23 qualified members have been appointed. All or part of the list can be renewed subject to the participation of the members in a new selection procedure. When an appeal needs to be adjudicated the Chairperson selects two members and their respective alternates, from the above mentioned list. The Board of Appeal can call up to two further members from the list if the nature of the appeal so requires, although this has never happened.

The Basic Regulation foresees the possibility to establish more than one Board. However, taking into account the limited number of cases brought before the Board of Appeal, there has been no need to establish more than one Board. It is worth noting that neither the Chairperson nor the members of the Board are employees of the Office; they are called upon when cases are appealed.

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[9] *Ralf Schräder v CPVO* (Case T-133/08) EU:T:2012:430, paras 137 and 190.

3.1.3 Independence

The requirement of independence refers to both the Board of Appeal as such and/or their members individually. Independence should be ensured vis-à-vis the Office, whose decisions are being reviewed, and the parties to proceedings. The said requirement is especially relevant at the stage of the appointment procedure, the composition, the tenure and the removal procedure of the members from the list.

The importance of the said requirement is also underlined in the Joint Statement of the European Parliament, the Council of the EU and the European Commission on decentralized agencies of 19 July 2012. The Joint Statement outlined that the impartiality and independence of Board of Appeal's members should continue to be guaranteed, on the basis of transparent and objectively verifiable criteria to be defined by EU agencies.

Individual members have to be independent and shall not be involved in the work of the Office. They should not be bound by any instructions when making their decisions. Therefore, they must not be members of the CPVO Committees responsible for taking such decisions nor should they perform any other duties in the Office. Their function as members is a part-time occupation, and they must inform the Board of Appeal where a conflict of interest may arise that would impede their participation in appeal proceedings. According to Article 48 of the Basic Regulation members must not take part in any appeal proceedings if they have any personal interest therein, or if they have previously been involved as representatives of one of the parties to proceedings, or if they participated in the decision under appeal.

The members of the Boards of Appeal will not be removed from the list during the respective term, unless there are serious grounds for such removal. Removal from the list requires a CJEU decision to this effect, on application by the Commission, after obtaining the opinion of the AC.

Any party to the appeal proceedings can object to members of the Board, for one of the aforementioned reasons or if they suspect partiality on the member's behalf.[10] An objection cannot be based on the nationality of the members. The Board will decide as to the action to be taken in the case of objection to a member without the participation of the member concerned who has to be replaced by his/her alternate.[11]

In one case, the appellant suspected partiality on the grounds that the Board had refused to accept the appellant's submissions in the appeal

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[10] Article 48(3), Basic Regulation.
[11] Article 48(4), Basic Regulation.

procedure. The appellant argued that there was no legal basis for refusing his submissions and was of the opinion that the refusal was an indication of partiality. The appellant furthermore alleged that the manner in which the Board of Appeal had planned the hearing offered additional evidence that the members of the Board of Appeal had already decided in advance on the outcome of the proceedings. Finally, the appellant claimed that, in any case, the alternate composition of the Board of Appeal should not only decide on the objection on impartiality, but also on the substance even if it were not to accept the objection of partiality. The case was handed over to the alternate Chairperson who selected two new members of the Board. This alternate Board of Appeal rejected as unfounded the claims put forward by the appellant and dismissed the objection.[12]

In addition to the requirement of independence of the Board and its members, its degree of budgetary independence from the Office should also be underlined. The activities of the Board are covered by the general budget of the Office. Since the members are not employed full-time by the Office, they are reimbursed for each case in which they participate. The level of the remuneration is laid down in a decision adopted by the AC based on a proposal by the President of the Office.[13] An appeal fee is foreseen under Article 113(2) of the Basic Regulation and Article 11 of the Fees Regulation. The appeal fee does not cover all the costs of the Board of Appeal. The appeal fee is kept at a reasonable level to ensure that it is not prohibitive. A fee for appeals is nevertheless justified in order to avoid frivolous appeals.

Finally, the Registry of the Board of Appeal must also be independent. It is imperative that the Registry have sufficient staffing, and independence in order for it to be fully accountable towards the Board, not the Office. The Registry facilitates exchanges of information and the overall proper functioning of the procedures and all related services of the Board.[14]

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[12] Appeal cases A007/2009, A002/2010 and A003/2010 '*Sumost 02*' and '*Seimora*'.

[13] Article 11.5, Proceedings Regulation.

[14] Article 12, Proceedings Regulation.

3.2 Decisions Subject to Appeal

Except for two specific instances where a direct action against a decision of the Office may be brought before the CJEU,[15] the appeal against a decision of the Office is brought before the Board of Appeal.

Article 67 of the Basic Regulation envisages the right to appeal against the following decisions taken by the Office:

a) Nullity/cancellation of a CPVR (Articles 20 and 21)
b) Compulsory licences and exploitation rights (Articles 29 and 100(2))
c) Objections to the grant of a CPVR (Article 59)
d) Refusal of an application/grant of a CPVR (Articles 61 and 62)
e) Approval/amendment of variety denominations (Articles 63 and 66)
f) Fees (Article 83)
g) Apportionment of costs (Article 85)
h) Establishment of the Registers/Public inspection (Articles 87 and 88).

An appeal against a decision which does not terminate proceedings regarding one of the parties, can only be made in conjunction with an appeal against the final decision, except in cases where the decision allows for a separate appeal.

In addition, an appeal has suspensory effect in relation to the contested decision unless otherwise decided by the Office.[16] This means that the contested decision will not have any effect until the Board of Appeal has decided on the appeal.[17] Guidance, as to what kind of circumstances should be taken into account when considering not suspending the decision, may be found by analogy in the case-law of the CJEU regarding the taking of preliminary measures: a reasonable strong prima facie case establishing infringement (of EU law) – *fumus boni iuris* – no likelihood of serious and irreparable harm to the person requesting it, and urgent need for protective measures – *periculum in mora*. To date, no decision has granted a non-suspensory effect.[18]

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[15] Article 74, Basic Regulation regarding decision on compulsory licensing under Article 29 and exploitation rights referred to under Article 100(2), Basic Regulation.

[16] Article 67(2), Basic Regulation.

[17] Applicable in *ex parte* proceedings only.

[18] In the appeal case A006/2014 '*Tang Gold*' or appeal case A019/2013 '*Orri*' the request for non-suspensory effect was denied due to absence of a

In my opinion, the right of the Office to take decisions on suspensory effect is questionable. Under such circumstances, the Office has already made its final decision and has had the opportunity to correct its decision in the interlocutory stage pursuant to Article 70 of the Basic Regulation. A preferred alternative would be for the Board of Appeal to take such a decision. Appeals against decisions relating to compulsory licences do not have suspensory effect. Until now the Office has not taken decisions to grant compulsory licences.[19]

3.3 Who Can Appeal?

The addressee of a decision, or any person who is directly and individually concerned by the decision, may appeal against it.[20] As a consequence, a third party is entitled to appeal even if he did not lodge an objection during the application proceedings.

In the *Sunglow* case, the Board of Appeal considered the exclusive distributor of a reference variety, which was very similar to the candidate variety, to have *locus standi*.[21] In another case, a federation of associations was found not individually concerned by the Board. On appeal the Court concluded that the interpretation of 'individually' in the Basic Regulation should be the same as the one established by the Court of Justice when deciding on *locus standi* and confirmed the decision of the Board.[22]

In this context it could be mentioned that there are no restrictions as to who can object to the Office before a title is granted. This means that objections can be made without the objector being directly and individually concerned. Objecting is free of charge. The person filing the objection before the Office can be party to appeal proceedings in its capacity as addressee of the decision on the objection. In this respect the possibility to become party to proceedings before the Office as well as before the Board of Appeal is rather open. A party from outside the EU may only participate as party to proceedings before the Board of Appeal

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likelihood of serious and irreparable harm and no urgent need for such measure to be taken.

[19] A first request for a compulsory licence was received by the CPVO on 16 March 2017. A decision will be rendered in spring 2018.

[20] Article 68, Basic Regulation.

[21] Case A005-6/2003 *'Sunglow'*.

[22] *FECOAV v CPVO* (Case T-95/06) EU:T2008:25, para 84.

if they have appointed a procedural representative who is domiciled in the EU. The Office is always party to appeal proceedings.[23]

3.4 Appeal Proceedings

The procedure is crucial to the functioning of the Board of Appeal: it ensures both its efficiency to manage its caseload and its respect of the procedural guarantees.

In its capacity as a quasi-judicial body, the Board must respect the principle of due process, and the right to be heard. In order to discharge these obligations, the Board must set realistic timelines, determine the presence of *locus standi* and organize oral hearings, whilst remaining within a pre-determined budget. The Board follows the rules laid down in the Basic Regulation and the Proceedings Regulation. Pursuant to Article 51 of the Proceedings Regulation the provisions relating to proceedings before the Office also apply to appeal proceedings *mutatis mutandis* unless otherwise provided. There is no provision in the legislation which gives the Board the competence to adopt procedural rules.

The appeal proceedings start with the filing of a notice of appeal. Such a notice shall be lodged within two months from the receipt or the publication of the contested decision. In order to have the appeal accepted, the appellant shall include in the abovementioned document the designation of the party, the number of the appealed decision and a statement of the form of order sought. The language of the notice also determines the language of the entire appeal procedure.

Once received, the Secretariat of the Board of Appeal numbers the appeal and asks for the grounds of appeal to be filed together with the debit note of the first third of the appeal fee, which should be paid within one month from the lodging of the notice of appeal.[24] If the appellant fails to pay the fee, a reminder is served granting him a further month to act and stating the consequences of failure to pay. Once the deadline has expired, if the first third of the appeal fee remains unpaid the appeal case is deemed not to have been duly filed. Following the payment of the first third of the appeal fee, the appeal case will be published in the Official Gazette of the CPVO, under chapter 9.1. In the event that parties other than the appellant have been involved in the application procedure, the Secretariat informs them of the possibility to intervene as parties to the

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[23] Article 68, Basic Regulation.

[24] The appellant shall pay an appeal fee of EUR 1,500 according to Article 11 of the Fees Regulation.

appeal proceedings giving them two months to reply from the receipt of the notice of appeal.

Following the lodging of the notice of appeal, the appellant shall also file the grounds of appeal within four months from the service or publication of the contested decision. Upon receipt of the grounds and only for *ex parte* proceedings,[25] the Secretariat of the Board will set an interlocutory revision of the decision to be carried out by the Committee that adopted the contested decision, internally known as the 'Rectification Committee'.[26]

The said Committee has the function to assess the possibility of rectifying the contested decision in the light of the reasons put forward by the appellant (interlocutory revision). If the contested decision is rectified, the first third of the appeal fee shall be refunded, unless the facts on which the interlocutory revision is made were not available at the time of the original decision.[27] The appellant is informed of the outcome of the Rectification Committee. Should the Committee decide to rectify the contested decision, a new decision is rendered. Otherwise the appeal is remitted to the Chairperson of the Board of Appeal who will appoint the rapporteur and one member and their respective alternates to examine the case.

On the other hand, for *inter partes* proceedings, the appeal case is directly remitted to the Board of Appeal upon receipt of the grounds of appeal. Also, in these cases the Chairperson appoints the rapporteur, one member and their respective alternates to examine the case. Moreover, the Office and the other parties receive the notice and the grounds of appeal and are invited to send their written observations to the Board within a fixed deadline. Following the remittal of the case to the Board, a time limit of one month is given to the appellant to pay the remaining two thirds of the appeal fee, otherwise and after the expiration of the deadline (which is set in the reminder),[28] the appeal will be dismissed. Upon payment of the remaining part of the appeal fee, the Board of Appeal will proceed with the examination of the case.

When examining the appeal, the Board of Appeal shall, as often as necessary, invite the parties to the appeal proceedings to file observations on notifications issued by itself or on communications from the other

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[25] Such as the cancellation of a CPVR for non-payment of annual fees or the refusal to grant a CPVR based on a negative DUS report provided that there was no third party involved in the application procedure such as an objector.

[26] Article 70, Basic Regulation.

[27] Article 83(4), Basic Regulation.

[28] Article 83(2), Basic Regulation.

parties to the appeal proceedings within specified time limits.[29] It shall disregard facts or items of evidence which have not been submitted within the time limit set by the Office.[30]

The Basic Regulation does not specifically state that the Board should refuse further unsolicited spontaneous submissions filed by a party. In this respect the Board of Appeal has taken different approaches for different cases. It rejected the spontaneous submission of the appellant in the *Seimora* case, allowing a spontaneous submission in the *Gala Schnico* case.[31] The lack of a clear rule in this respect gives the Board the discretion to act as it sees fit in each specific case. One could argue that if the Board believes that the information submitted is of relevance when assessing the facts on its own motion, a spontaneous submission may be allowed. I nevertheless believe that spontaneous submissions should only be allowed exceptionally. In my opinion, Article 71.2 of the Basic Regulation allows a restrictive interpretation. A broader interpretation could lead to a situation where parties could endlessly file submissions to the Board to which the other parties would in turn be entitled to comment on. This would undoubtedly hinder the efficiency of the Board in its organization of appeals and could be used as a tactic for parties to stall the proceedings when this would be in their interest. In most cases it is sufficient that parties other than the appellant are given the possibility to respond to the appeal. By way of example, under Article 83 of the Rules of Procedure of the General Court, further submissions may only be made if the General Court so decides, upon request.

In the *M02205* case[32] the General Court made some important statements on the extent to which the CPVO and the Board of Appeal must carry out investigations on its own motion. The Court first stated that it is important to recall that the CPVO's task is characterized by the scientific and technical complexity of the conditions governing the examination of applications for Community plant variety rights and, accordingly, the CPVO must be accorded a margin of discretion in carrying out its functions.[33] That discretion extends, inter alia, to verifying whether that variety has distinctive character for the purpose of Article 7(1) of the

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[29] Article 71, Basic Regulation.

[30] Article 76, Basic Regulation read in conjunction with Article 51, the Proceedings Regulation.

[31] Appeal cases A003/2010 and A005/2014.

[32] *Aurora Srl v CPVO* (Case T-140/155) EU:T:2017:830, 23 November 2017.

[33] *Brookfield New Zealand and Elaris v CPVO and Schniga* (C-534/10 P) EU:C:2012:813, para 50 and the case-law cited.

Basic Regulation.[34] The CPVO is subject to the principle of sound administration, in accordance with which it must examine carefully and impartially all the relevant particulars of an application for a Community plant variety right and gather all the factual and legal information necessary to exercise its discretion. It must furthermore ensure the proper conduct and effectiveness of proceedings which it sets in motion.[35] Article 76 of the Basic Regulation provides that in proceedings before it, the CPVO shall make investigations on the facts of its own motion, to the extent that they relate to the substantive examination or the technical examination.[36]

The Court referred to Article 51 of the Proceedings Regulation which states that the provisions relating to proceedings before the CPVO apply *mutatis mutandis* to appeal proceedings.[37] Accordingly, the principle of examination of the facts of its own motion applies in proceedings before the Board of Appeal and the Board of Appeal is bound by the principle of sound administration, pursuant to which it is required to examine carefully and impartially all the relevant factual and legal information in the case before it.[38]

In practice this means that the Board of Appeal is not limited to assess arguments and facts raised before the Office, but the Board may also initiate further examinations should it find it necessary. Under Article 72 of the Basic Regulation it is stated that the Board of Appeal may exercise any power which lies within the competence of the Office. In cases where the Board would find that the investigation made by the Office is not satisfactory, it may remit the case to the competent body of the Office for further action (principle of 'administrative continuity'). Even if the party who has brought the appeal has not raised a specific ground of appeal, the Board of Appeal is bound to examine whether or not, in the light of all relevant matters of fact and of law, a new decision with the same operative part as the decision under appeal may be lawfully adopted at the time of the appeal ruling.[39]

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[34] *Schniga v CPVO* (C-625/15 P) EU:C:2017:435, 8 June 2017, para 46 and the case-law cited.

[35] *Schniga v CPVO* (C-625/15 P) EU:C:2017:435, 8 June 2017, para 47 and the case-law cited.

[36] Articles 54 and 55, Basic Regulation.

[37] *Schräder v CPVO* (C-546/12 P) EU:C:2015:332, para 46.

[38] *Boomkwekerij van Rijn-de Bruyn BV v CPVO* (T-767/14), EU:T:2017:494, para 73.

[39] *Henkel KGaA v OHIM* (Case T-308/01) EU:T:2003:241, para 29.

It can be noted that the principle of administrative continuity also applies as regards the Board of Appeal of the European Union Intellectual Property Office (EUIPO) and the EUIPO Office.[40] The rapporteur shall examine the appeal and draft an opinion, which is a confidential internal document of the Board, not shared with the parties. The opinion of the rapporteur is discussed in a meeting with the other members of the Board before the hearing takes place, or is sent to them for comments if no oral proceedings are to take place.

It should also be mentioned, that the Board of Appeal has decided on a case-by-case basis whether to join closely related appeal cases. In 2016 a specific provision was introduced in the Proceedings Regulation specifying that several appeals filed against a decision may be considered in the same proceedings. In addition, in cases where appeals filed against decisions are to be examined by the Board having the same composition, the Board may deal with those appeals in joint proceedings.[41]

This ensures efficiency and legal certainty and contributes to avoiding inconsistent outcomes. Parties to the appeal proceedings shall be entitled to make oral representations.[42] Once the written procedure is closed, the common practice is that the parties exercise their right to be heard. Oral proceedings are organized in which the parties have the opportunity to present and defend their arguments. Parties may be requested to send the oral pleadings in writing to the Registrar of the Board of Appeal before the hearing. Although not compulsory, it is very convenient for the interpreters, as well as for the members of the Board when the language of proceedings is not their mother tongue.

The Office usually invites an expert from the Examination Office concerned to participate in the hearing. The expert will be part of the Office's delegation in his/her capacity as agent of the CPVO according to Article 15(2) of the Proceedings Regulation.[43] It should be noted that if a duly summoned party of the proceedings does not appear before the Board of Appeal, such proceedings will take place in their absence.

In general, oral proceedings before the Board of Appeal are public. However, the Board can decide to make them private when serious and unwarranted disadvantages may derive from an unrestricted hearing. To

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[40] *Procter & Gamble v OHIM (BABY-DRY)* (T-163/98) EU:T:1999:145, para 38, not overturned on this point by the European Court of Justice in Case C-383/99 P *Procter & Gamble v OHIM*.

[41] Article 51(a), Proceedings Regulation.

[42] Article 71(2), Basic Regulation.

[43] This has been confirmed by the CJEU in the case *CPVO v Ralf Schräder*, Case C-38/09 P, points 134–136.

date, this has never occurred. Although the Board's decisions usually require an oral hearing, when the Board considers that it has received sufficient information to be able to make a decision, the Chairperson may ask the parties whether they agree to waive their right to be heard. The Board will then promulgate a decision without an oral hearing. In such a case, the parties will be granted additional time to present further and final written arguments.

Within three months after the closure of oral proceedings, the decision on the appeal shall be forwarded in writing to the parties to the appeal proceedings.[44] Surprisingly, there is no deadline laid down in the Proceedings Regulation within which the Board must send the decision when there is no oral hearing. It can be assumed that, by analogy, the Board in such cases would be obliged to send a decision within three months from the date when the written procedure is closed.

As regards the costs, the Basic Regulation clearly stipulates that costs should be borne by the losing party (Article 85). However, the Board may be asked by the parties to determine such costs, in accordance with Articles 85(5) and 76(3) of the same regulation. It could be that the parties reach a different agreement on costs, in which case, note must be taken by the Board upon communication of the parties to proceedings.

Finally, once the parties are notified of the final decision of the Board, they have two months from the notification or the publication of the decision to lodge an action before the General Court of the European Union on the grounds of lack of competence, infringement of essential procedural requirements or of the Treaty or of the Basic Regulation or of any other rule or law relating to their application, or in case of misuse of power. The General Court may confirm, annul or alter the contested decision.[45] The Office is obliged to comply with said judgment. A further appeal may be brought before the Court of Justice.

Pursuant to Article 172 of the Rules of Procedure of the General Court, the action brought before the General Court shall be made against the Office to which the Board of Appeal that adopted the contested decision belongs. Therefore, the Office, and not its Board of Appeal, is party to proceedings, acting as defendant before the General Court. However, as it was claimed by the Office and confirmed by the General Court in the

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[44] Article 52, Proceedings Regulation.

[45] The Court has elaborated on the competence it has to alter decisions of the Board of Appeal in Case T-140/155 *Aurora Srl v CPVO*, 23 November 2017, paras 87–94.

Schniga v CPVO case,[46] even though the Office is automatically designated as defendant, it does not mean that it is required systematically to defend the decisions of its Board of Appeal that are contested before the General Court.[47] This underlines that the Board of Appeal is judicially independent from the Office.

The above procedure may be summarized as follows:

a) Decision of the Office.
b) Servicing and publication of the decision.
c) Lodging of the appeal (two months from b); one third of the appeal fee is due on receipt of the appeal.
d) Grounds of appeal (four months from b).
e) Interlocutory revision by the Office.
f) Remittal to the Board of Appeal; two thirds of the appeal fee, EUR 1,000, is due upon request within one month from the remittal of the appeal to the Board of Appeal.
g) Examination of the appeal by the Board with or without holding oral proceedings (Article 71 BR).
h) Decision of the Board of Appeal within three months (from end of oral hearing or end of written procedure when no hearing takes place).
i) Possibility to lodge an action before the General Court.
j) The General Court may annul or alter the contested decision and the Office must comply with the content of the judgment.
k) The ruling from the General Court may be appealed before the Court of Justice of the European Union.

4. HOW DOES THE BOARD OF APPEAL SHAPE THE EU PLANT VARIETY RIGHT SYSTEM?

4.1 Gives Guidance on How to Interpret the Legal Framework

The Office is, on a regular basis, faced with the challenge of deciding on matters not regulated in detail in law. The Office must often decide on cases where different principles and interests collide. As has been stated

[46] *Schniga v CPVO* (Joined cases T-91/14 and No T-92/14) EU:T:2015:624.
[47] It is necessary to apply, to that effect and by analogy, the established case-law applicable for trademarks cited by the Office and the General Court, Cases T-91/14 and T-92/14 para 23.

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above, the Office has discretion to deal with various aspects on implementing the EU plant variety right system. Taking the aforementioned information into account, the existence of the Board of Appeal is highly necessary in order to verify that the Office is exercising its powers and discretion in a way consistent with legal certainty, transparency and good public administration.

The majority of cases appealed to the Board concern the DUS requirements. This reflects the importance of the daily work carried out by both the Office and the Examination Offices. The Board is constantly testing and often challenging the regulatory framework, offering clarification, highlighting weaknesses and ensuring a culture of excellence. In this respect, the Board of Appeal has given the Office as well as applicants important guidance on how to settle cases.

The Board has been given an important responsibility by the legislator, a responsibility which has been confirmed by the CJEU. In a landmark case, the General Court stated that appraisals of scientific and technical complexity justify a limited scope of judicial review by the Courts. The General Court would only assess such issues should the Office and/or the Board have committed a manifest error of assessment. In relation to technical matters, the Court of Justice would only review points of law and would only intervene if facts or evidence had been distorted. In practice, this means that the Board of Appeal is in principle the last instance to review such matters, which in my view amplifies the importance of its work.[48] This does not mean that the CJEU would not rule on less technical issues such as novelty and the question whether a variety is of common knowledge or not.[49]

The provisions laid down in the Basic Regulation and in the Proceedings Regulation, as well as those laid down in the technical guidelines and protocols, provide a sufficient degree of flexibility for the Office and the Examination Offices in order to fulfil their tasks. At every stage of the procedure there is ample room to take into account the specific circumstances of the case at hand. Therefore, it can be concluded that the Office and the Board of Appeal have a broad margin of discretion in matters which are technically complex. The role of the Board of Appeal is in this

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[48] *Ralf Schräder v CPVO* (Case T-187/06) EU:T:2008:511 'the appraisals of scientific and technical complex questions justify a limited scope of judicial review by the Court. Court should only examine that when the authority was finding facts and applied the law there is no manifest errors or misuse of powers.'

[49] *Boomkwekerij van Rijn-de Bruyn BV v CPVO* (Case T-767/14) paras 70, 71, 72 and the case-law cited.

respect very important as it decides whether the Office has exercised its power of discretion correctly.

4.2 Few Appeals

As at January 2018, a total of 174 appeals have been lodged before the Board of Appeal, six of which are ongoing, 21 were withdrawn by the appellant and 64 decisions rectified by the Office. The high number of rectified decisions does not mean that the Office considers that the contested decision was wrong. A rectification is often based on information not available to the Committee at the time of taking the decision but submitted by the applicant in an appeal when faced by the negative decision. The Board of Appeal has rendered 83 decisions, seven of which were lost by the Office and in nine cases both the Office and the appellant partially succeeded. It is also interesting to mention that the number of appeals filed by third parties is very limited.

The above-mentioned figures represent a very low number of appeals compared to the total number of applications filed with the Office since 1995, which comes to more than 61,000. Since 1997, the year the first appeal was lodged, on average there were nine appeals per year. Therefore, it can be concluded that the EU plant variety protection system works well, through a complex technical examination where parties are invited to visit the fields if they are interested in doing so.

The main reasons for successful appeals are:

- Examination was not performed in conformity with the applicable Technical Protocol (TP).
- Conditions for testing were not optimal.
- Difficulties in establishing common knowledge or origin of a reference.
- No novelty because of proven earlier commercialization of the candidate variety.

The Board of Appeal has a 'filter function' for access to the CJEU. Out of the 83 decisions, 19 were brought before the General Court and six judgments were further appealed to the Court of Justice. In most of the cases the CJEU confirmed the CPVO's original decision and/or the decision of the Board but there were a few cases where the Court has given constructive criticism on the decision appealed. The fact that very few decisions are brought to the CJEU shows, in my opinion, that although it has not yet been a practical problem, it would be appropriate to have all CPVO appeals dealt with by the same chamber of the Court.

This would avoid a rather long and steep learning curve in a quite complex area of law for judges who never heard a plant variety right case before.

4.3 Contributes to Transparency

One of the great challenges of the Office is to provide applicants with enhanced legal certainty and transparency. The Board of Appeal will continue to play a very important role in this respect. The growing awareness among plant breeders of the peculiarities of the system may prevent errors from occurring. At the same time, the cases remitted to the Board have become progressively more complicated over the years and the written and oral statements of the Office have become more and more sophisticated. The fact that the Office is party to the appeal proceedings is valuable for all participants of the appeal proceedings due to the technical specificities of plant varieties. The Board of Appeal benefits enormously from the presence of the representatives of the Office, especially from the presence of the technical expert that conducted the DUS examination of the variety. This expert is able to answer scientific questions raised by the parties and the Board and gives further explanations on how the testing was conducted. This contributes to transparency.

4.4 Ensures Diligence from the CPVO

The Board of Appeal ensures that decisions of the Office follow the applicable rules and procedures. The Board confirms, improves and corrects CPVO decisions on a continuous basis. The sheer consciousness, by decision makers at the Office, that a decision may be appealed and scrutinized by the Board is a motivating factor to ensure that each case is handled correctly and that each decision is fair. The Board of Appeal has proven to be reasonably fast in taking decisions, taking into account that it is not a permanent body of the Office. The members have their own professional activities, which they have to juggle with their status as member of the Board of Appeal.

5. CONCLUDING REMARKS

As can be seen from the above, the Board of Appeal functions well.

I will, in these brief concluding remarks, address some important contributing factors to this conclusion.

The independence of the Board is ensured by the fact that the Chairperson and its alternate are appointed by the Council and the members by the AC. The members are clearly bound by the rules on independence. The remuneration of the members of the Board is set by the AC. This ensures that there are no budgetary reasons which would impede the independence of the Board. Although the Registrar of the Board of Appeal is an employee of the Office, internal procedures ensure that the Office cannot use undue influence to dictate how cases are handled. The fact that the Board's decisions can be subject to further actions before the CJEU ensures that general principles applied under EU law also apply to the EU plant variety right system.

The interlocutory revision of the appeal procedure has proven to be important. This ensures that cases are not dealt with by the Board which can be resolved at an earlier stage.

The appeals to the Board of Appeal are decided upon in a timely manner. To my mind, the appeals to the Board would appear to have increased, if not in volume then certainly in complexity. The appeal procedure is sometimes used to delay the granting of a right for commercial opponents to gain competitive advantages. Submitting numerous and voluminous submissions is characteristic of such actions. In my opinion, it may be necessary to adopt rules giving full control to the Board to decide the number of submissions allowed by parties as well as the length of such documents.

Overall, the Board of Appeal fulfils the objectives it has been established to achieve.

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12. The position of the Board of Appeal in the legal protection system for Community Plant Variety Rights

Gert Würtenberger

INTRODUCTION

The Community Plant Variety Office (CPVO) is a Community agency, a body governed by European public law.[1] It is a decentralized agency distinct from the Community institutions such as the Council and Commission, with legal personality[2] and its own financial resources.[3]

Since the CPVO can adopt individual decisions limited to specific areas of the system of Community plant variety rights, Boards of Appeal (BoA) have been established within the Office. They shall be responsible for deciding on appeals from the decisions of the Office (Article 67 Regulation (EC) No. 2100/9 of 27 July 1994 on Community plant variety); pursuant nullification/cancellation of a Community Plant Variety Right (CPVR) (Articles 20 and 21); compulsory exploitation rights (Articles 29 and 100(2)); objections (Article 59); refusal/grant of a

[1] Gert Würtenberger, Martin Ekvad, Paul van der Kooij, Bart Kiewiet, *European Union Plant Variety Protection*, 2nd edn, Oxford University Press 2016, Chapter 2 para 2.11.

[2] Article 30(1) Council Regulation (EC) no 2100/94 of 27 July 1994 on Community plant variety rights OJ L 227.

[3] The Commission identifies two broad types of agency: 'executive' and 'regulatory' (see 'European agencies – The way forward' (COM(2008)135). 'Executive' agencies are all set up under Council Regulation (EC) 58/2003 of 19 December 2002, 'with the much more narrowly defined task of helping to manage Community programmes'. 'Regulatory' or 'traditional' agencies have a variety of specific roles, set out in their own legal basis, 'case-by-case', subject to clear and strict legal limits to the autonomous power of regulatory agencies <http://europa.eu/rapid/press-release_MEMO-08-159_en.htm> accessed 30 September 2016.

CPVR (Articles 61 and 62); acceptability/amendment of variety denominations (Articles 63 and 66); fees (Article 83 Regulation No. 2100/94); apportionment of costs (Article 85); and maintenance/inspection of registers (Articles 87 and 88).[4]

An appeal may also be made against decisions of the Office relating to compulsory exploitation right as provided for in Article 29, unless a direct appeal to the Court of Justice is lodged pursuant to Article 74.

From these provisions it follows that the BoA has full control over the administrative activities of the CPVO with regard to granting and maintenance of plant variety rights. As follows from Articles 71 to 73 of Regulation No. 2100/94 the BoA is to decide on the appeal brought before it by exercising 'any power which lies within the competence of the CPVO'[5] or by remitting the case to the competent body of the CPVO for further action. It was the intention of the European law maker that

> ... the duties and powers of the Community Plant Variety Office, including its Boards of Appeal, relating to the grant, termination or verification of Community plant variety rights and publications are as far as possible to be modelled on rules developed for other systems, as are also the Office's structure and Rules of Procedure, the collaboration with the Commission and Member States particularly through an Administrative Council, the involvement of Examination Offices in technical examination and moreover the necessary budgetary measures.[6]

As the BoA of the CPVO are as far as possible modeled on rules developed for other systems, the case law of the Court of Justice of the European Union (CJEU) as to the function and responsibilities of the BoA, and the case law developed with regard to the BoAs of the European Union Intellectual Property Office (EUIPO) may be considered in determining tasks and competences of the BoA of the CPVO.

In order to exercise its control function on the administration of the granting procedure as well as the maintenance of granted Community plant variety rights, the constitution of the BoA as well as the position of the Board Members must be secured in a manner which excludes any influence of the Office.

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[4] See <http://www.cpvo.europa.eu/main/en/home/community-plant-variety-rights/board-of-appeal> accessed 30 September 2016.

[5] Case C-38/09 P *Ralf Schräder v. Community Plant Variety Office (CPVO)* EU:C:2010:196.

[6] Consideration 26 of Regulation (EC) no 2100/94 of 27 July 1994 on Community plant variety rights OJ L 227.

1. HOW THE BOARDS OF APPEAL ARE CONSTITUTED

The BoA and their respective alternates are appointed by the Council from a list of candidates for each Chairman and each alternate. Such possible candidates shall be proposed by the Commission after obtaining the opinion of the Administrative Council (AC).[7] The other Members of the BoA are selected by the Chairman for each case from a list of qualified Members established upon a proposal from the Office by the AC.

This procedure should safeguard that the Members of the BoA are independent. In fact, Article 47(3) emphasizes the independence of its Members.

For this reason they are not bound by any instructions in the process of rendering a decision. In addition, in order to guarantee their independency, Article 47 foresees that Members of the BoA may not be Members of a Committee of the Office which decides on the nullity of Community plant variety rights' cancellation; on applications for compulsory license; on objections filed by third parties against grant of a plant variety right; and on the amendment of a variety denomination; nor may any person be a Member of the Board of Appeal who performs any other duties in the CPVO.[8]

2. POSITION OF THE BOARD MEMBERS AND THEIR INDEPENDENCY

The Chairmen of the BoA and their deputies as well as all other Members of the BoA are appointed for five-year terms. However, independency is only guaranteed if within that term Members of the BoA cannot simply be removed from office. On the other hand there must be a possibility to remove a Board Member if his or her activity would impede the functioning of the BoA or cause serious doubts as to the function of the BoA, namely controlling the legality of decisions of the CPVO.

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[7] Article 47, Council Regulation (EC) no 2100/94 of 27 July 1994 on Community plant variety rights OJ L 227.

[8] Article 47 para 4, Council Regulation (EC) no 2100/94 of 27 July 1994 on Community plant variety rights OJ L 227.

For this reason, Article 47(5) requires that in order to have Members of the BoA removed from the Office or from the list of its Members during this term, a serious ground must be given.

The Regulation, however, does not define or give examples as to when a serious ground for removal may be present. In any case, these must be circumstances that go beyond those which allow a party to proceedings to raise objections against a Member of the Board being involved in appeal proceedings. This follows from Article 48(2) which mention reasons giving cause for objections, whereas removal of a Board Member is regulated separately. In addition to a serious ground for removal, the Court of Justice has to decide on the removal upon application by the Commission, after obtaining the opinion of the Administrative Council.

Article 48 excludes participation of Members of the BoA in appeal proceedings that have personal interests therein, or if they have previously been involved as representatives of one of the parties to the proceedings, or if they participated in the decision under appeal.[9]

A Member of the BoA is bound to inform the Board if she or he considers herself or himself that she or he should not take part in appeal proceedings as one of the reasons for exclusion and objection is given.

Members of the BoA may also be objected to by any party to the appeal proceedings when a ground defined in Article 48(1) is given which should cause a Board Member not to participate in appeal proceedings. Moreover, any other reason giving cause to exclude a Board Member from participating in certain appeal proceedings may allow a party to proceedings to raise objections. Such a reason is given in cases in which the neutrality and objectivity of a Board Member might be seriously questioned.

3. POSITION OF THE BOARDS OF APPEAL

In spite of these provisions safeguarding that the Office will not influence the decision-making process of the Boards of Appeal, they are part of the Office and not a Court instance for the following reasons:

- If a party involved in proceedings wishes to contest the decision of the Office it must file an appeal at the Office according to Article 69.

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[9] Article 48 para 1, Council Regulation (EC) no 2100/94 of 27 July 1994 on Community plant variety rights OJ L 227.

- From Article 70 headed 'Interlocutory Revision' it follows that the body of the Office which has rendered the appealed decision has to reconsider the matter. If it finds the appeal to be admissible and well founded, the Office shall rectify the decision. However, rectification is not possible if a further party is involved in the proceedings.
- If the decision is not rectified within one month after receipt of the statement of grounds for the appeal, it must be remitted for the appeal to the BoA. So far, the mechanism is comparable to appeal proceedings before the EUIPO.[10]

From these provisions as well as from Article 71 (examination of appeals) and Article 72 (decision on appeal) it follows that there is continuity in terms of their function between the Office and the BoA. The BoA, however, cannot be classified as tribunals. They are still administrative bodies and not courts – they constitute a department of the Office responsible for controlling the CPVO, under the conditions and within the limits laid down in law.[11]

From this scope of competence it follows that the BoA enjoy, in particular, the same powers as the examiner: when they exercise them they act as the administration of the Office. An action before a Board of Appeal therefore forms part of the administrative registration procedure, following an interlocutory revision by the first department to carry out an examination, pursuant to Article 60 of Regulation No 40/94. Moreover, as they cannot be classified as tribunals, the applicant cannot properly rely on a right to a fair hearing before the Boards of Appeal of the Office.[12]

Due to their position as part of the administration of the CPVO it is doubtful that 'the principles of procedural law generally recognized' can be deduced from the national provisions and case law relating to civil procedure, given that, notwithstanding the guarantees of independence that they and their Members enjoy, *the Boards of Appeal are still Office for Harmonization in the Internal Market (OHIM) bodies and not courts.*[13]

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[10] Article 61, Council Regulation (EC) no 207/2009 of 26 February 2009 on the European Union trade mark OJ L 078 24.3.2009, p. 1.

[11] See Case T-63/01 *Procter & Gamble v. EUIPO*, ECLI:EU:T:2002:317.

[12] See Case T-63/01 *Procter & Gamble v. OHIM* (Soap bar shape) EU:T:2002:317, paras 22 and 23.

[13] See Case T-63/01 *Procter & Gamble v. OHIM* (Soap bar shape) EU:T:2002:317, para 23 and Case C-29/05 P *OHIM v. Kaul*, EU:C:2007:162,

The fact that the BoA are not part of the judicial system of the European Union is confirmed in Part 6 (Institutional and Financial Provisions) Title 1 (Institutional Provisions) Chapter 1 (The Institutions) Section 5 (the Court of Justice of the European Union) by Articles 251 *et seq.* of the Treaty on the Functioning of the European Union (TFEU). As judicial institutions only the General Court and the Court of Justice are provided.

However, it has to be emphasized that the BoA do not perform purely administrative activities. In fact, the BoA develop a function in a procedure similar to a body administering justice. This is important for the independency of the Members of the BoA.[14]

4. SCOPE OF COMPETENCE OF THE BOARDS OF APPEAL

Due to the function of the BoA of controlling the CPVO with regard to defined activities, it follows from Article 71(2) and Article 72 of Regulation (EC) No. 2100/94 that the BoA are called upon to carry out a new full examination of the merits of the matter in terms of both law and facts.[15]

In addition, Article 51 of Regulation 874/2009 establishing implementing rules for the application of Council Regulation (EC) 2100/94 as regards proceedings before the CPVO states that the provisions relating to proceedings before the CPVO apply *mutatis mutandis* to appeal proceedings.

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para 51: '51 – A procedure is, initially, a matter for OHIM, its Opposition Divisions first of all and, then, on appeal, its Boards of Appeal which, in spite of the independence enjoyed by those departments and their members, remain nonetheless departments of OHIM. Subsequent to that procedure there exists the possibility of judicial review by the Court of First Instance and, if necessary, on appeal by the Court of Justice.'

[14] In Case T-107/02 *AstraZeneca v. Commission*, EU:T:2010:266 '33 Also, while the Boards of Appeal form an integral part of the Office (Case T-110/01 Vedial v OHIM – France Distribution (HUBERT) [2002] ECR II-5275, paragraph 19) and there is continuity in terms of their functions between the Board of Appeal, the examiner and/or the competent division (Case T-163/98 Procter & Gamble v OHIM (BABY-DRY) [1999] ECR II-2383, paragraph 38), Boards of Appeal and their members have functional independence in carrying out their tasks. The Office cannot therefore give them instructions.'

[15] Case C-29/05 P *OHIM v. Kaul*, EU:C:2007:162, para 57.

Article 76 of the Regulation obliges the CPVO to investigate the facts of its own motion. For this reason, the European Court of Justice has confirmed in its decision of 21 May 2015[16] that the principle of examination of the facts by the CPVO of its own motion also applies to proceedings before the BoA. In her opinion of 13 November 2014,[17] the Advocate General made interesting comments with regard to the role of the BoA in contradictory proceedings such as nullity and invalidation proceedings. The question was whether and to what extent the BoA may investigate the facts of its own motion and/or to which extent the party striving at annulment of a granted right must submit evidence in support of its application. The Advocate General emphasized that according to the first limb of Article 76 the Office must investigate the facts of its own motion to the extent that they concern substantive and technical examinations. Accordingly, where it is submitted in annulment proceedings that the granting conditions have not been met, the Office has an express obligation to investigate the facts. Simultaneously, the Advocate General emphasizes that according to the second limb of Article 76 the parties also have an own motion in submitting evidence.

The consequence is that the BoA must disregard facts or items only insofar as they have not been submitted within the relevant time limit by the Board. This applies in adversarial proceedings such as annulment proceedings.

A party seeking annulment clearly has a role and a right to submit evidence in support of its application. However, the wording of Article 78, second sentence, means only that the CPVO may not take a decision solely on the basis that the person seeking annulment has failed to satisfy the burden of proof, because it has an express obligation to investigate the facts concerning the technical examination of its own motion.

With reference to Article 60 (Taking of Evidence) and 61 (Commissioning of Experts) of the implementing Regulation, the Advocate General emphasized that appeal proceedings are more investigative than adversarial in nature insofar as the Office directs proceedings with regard to the taking of evidence and the commissioning of expert reports. In contrast, in a purely adversarial process the applicant would bear the burden of proof in establishing his case and the defendant would have to demonstrate that the conditions on which the defense is based are satisfied. As the provisions governing the procedure before the CPVO

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[16] Case C-546/12 P *Schräder v. CPVO*, EU:C:2015:332.
[17] Case C-546/12 P *Schräder v. CPVO*, EU:C:2014:2373.

apply equally to the Board it may exercise any power which lies within the competence of the Office.

With reference to Article 72, the Advocate General also points out that the BoA have the same broad discretion when carrying out their functions as the CPVO.

In her opinion the Advocate General made interesting observations with regard to the differences between proceedings before the BoA of the CPVO and those of OHIM in trademark and design matters.

With regard to trademarks the Advocate General outlined that there was no equivalent to the absolute and relative grounds for refusal to register a trademark:

> In CPVR annulment proceedings the pertinent point is ... whether the conditions governing the distinctness of the variety in Article 7 of the Regulation are met that investigation requires technical knowledge and expertise which reside with (the Office and) the BoA in carrying out the necessary assessment. That process is not the same as that governed by the Community trademark regime which seeks to establish in opposition proceedings whether the proprietor of an earlier trademark can demonstrate certain elements, such as genuine use of the earlier trademark. Those issues do not arise in annulment proceedings under the CPVR regime, such as at present, where the question is whether, at the time that the CPVR was granted ... Lemon Symphony was a distinct variety.[18]

In light of the comparable provision in the Design Regulation[19] (Article 63 (1)) the Advocate General was of the opinion that it also provides a different framework to the CPVR. In those proceedings OHIM is restricted to examining the facts and evidence provided by the parties which follows from the fact that such proceedings cannot be initiated by OHIM itself under the Design Regulation. In contrast, under Article 20 of the basic Regulation, the CPVO is obliged to declare the Community plant variety right null and void if it turns out that the conditions for grant of protection were not met at the time of grant of the right. It has to initiate proceedings on its own motion if it achieves indications, for example through observations in the technical examination of a candidate

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[18] Opinion Case C-546/12 P *Schräder v. CPVO*, EU:C:2014:2373, para 59.

[19] Council Regulation (EC) No. 6/2002 on Community Designs OJ EC No L 3 of 5.1.2002, para 1.

variety in which a protected variety is used as reference variety, that the reference variety should not have been or should no longer be protected.[20]

In sum, this means that while the BoA of the CPVO must take into account facts provided by the parties to proceedings within the relevant time limits, they are not bound by the same, but have a far-reaching competence. Article 72 gives the BoA the right to exercise any power which lies within the competence of the Office, including a new technical examination under their control or remitting the case to the competent body of the Office for further action. If the matter is referred back to the Office, the competent body of it is bound by the *ratio decidendi* of the BoA to perform its own investigations or refer the matter back to the CPVO, imposing on it the duty to perform activities defined in the BoA's decision. So far, the proceedings before the BoA safeguard that the matter receives full revision of facts and legal considerations, whereas the parties have the possibility to submit further facts and evidence in appeal proceedings. Appeal proceedings are thus proceedings not only guaranteeing a control of the decision of the CPVO but opening a new instance for the parties to provide new facts.

[20] See Opinion, Case C-546/12 P *Schräder v. CPVO*, EU:C:2014:2373, para 60.

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13. The Boards of Appeal of the European Union Intellectual Property Office: an alien within the landscape of European administrative law!

Stefan Martin*

INTRODUCTION

The Boards are an independent body within the Office which are entrusted with the adjudication of all appeals from all decisions of the examiners, the Opposition Division, the Cancellation Division or the department in charge of the Register.[1] The Boards serve two functions: providing a second independent review of a case and filtering the number of cases that will eventually reach the General Court. But the idea behind the creation of the Boards was also driven by the desire to create a simple, effective, quick and inexpensive procedure.

Within the landscape of European administrative law the situation of the Boards is unique. Most administrative decisions involve the determination of disputes between individuals and European Union (EU) institutions or agencies whereas the power of the Boards extends beyond the typical domain of administrative review. The functions of the Boards are essentially judicial in the sense that they are adjudicating disputes not between the executive and a citizen but in *inter partes* cases concerning disputes between private parties. In this context the mission of the Boards 'resembles a civil or commercial action more than administrative proceedings'.[2] This peculiar situation was expressly recognized in the

* Member of EUIPO and CPVO Boards of appeal.

1 Article 66 and 159, European Trade Mark Regulation (EUTMR).

2 R Plender, *European Courts Practice and Precedents* (London, Sweet & Maxwell, 1997) p. 925.

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Preamble to the Amendments to the Rules of Procedure of the Court of first instance of the EU of 6 July 1995:

> Whereas it is necessary to take account, by special rules of procedure, of the specific features of the proceedings relating to intellectual property rights ... Whereas it is a feature of the intellectual property field that it involves disputes between private parties; whereas it is therefore necessary in particular to adopt specific rules on the procedural rights of interveners.

In the early days following the coming into force of the Community Trade Mark Regulation the issue of the legal nature of the Boards was highly debated: a specialized court of law, a simple administrative body or a quasi-judicial body? More than twenty years have passed and despite the fact that some thousands of judgments have been rendered by the General Court and the Court of Justice in trade mark cases, this issue has never been definitively resolved and remains controversial. The first part of this paper will address this issue.

It is perhaps surprising that this debate was never linked to the determination of the standard of review of the decisions of the Boards when appealed to the General Court. However, if the Boards could be qualified as a quasi-judicial body, their decisions may then be subject to deferential reasonableness review instead of correctness. The second part of this paper will deal with this delicate issue.

1. THE LEGAL NATURE OF THE BOARDS OF APPEAL

Within the European judiciary the debate surrounding the qualification of the Boards as a judicial body was rather short and the issue abruptly settled by one of the first cases having reached the then Court of First Instance. The Boards are not a court of law.[3] This position is not open to debate. It is settled law that judicial power can only be vested according to the provisions of the Treaty. But what then? In earlier decisions, the Court concluded that the Boards are part of the Office and developed the concept of 'functional continuity': 'The Boards of Appeal, which form part of the Office, also contribute, within the limits set by the regulation, to the application of that instrument. In that sense, there is continuity in terms of their functions between the examiner and the Boards of

[3] 12/12/2002, T-63/01, Soap II, EU:T:2002:317, paras 22 and 23, and 20/04/2005, T-273/02, Calpico, EU:T:2005:134, para 62.

Appeal.'[4] This concept resulted in a serious misunderstanding which has had far-reaching consequences. The Boards became in the view of the Court a sort of 'glorified examiner'. This concept of 'functional continuity' is not immune to some criticism. It is based on the assumption that the Boards are one of the departments of the Office. This is not entirely accurate. Indeed, although the Boards share the same facilities as the Office they are nevertheless clearly a separate entity[5] with their own President and a collegial assembly, the Presidium. This separation is also illustrated by the fact that the Office is not required to systematically defend the decisions taken by the Boards.[6] It can even support a request for an annulment of the decision taken by the Boards[7] or just leave the decision to the discretion of the Court.[8] But more importantly, this notion of 'functional continuity' cannot be reconciled with a constant line of case-law to the effect that the jurisdiction of the Boards is limited by the scope of appeal as defined by the appellant and possible cross-appellant. The Boards have no power to reopen the examination process with respect to goods and services accepted by the examiner and therefore not subject to the appeal.[9] Finally, this concept is also based on the premise that the Boards are exercising the same functions as the examiners, a doubtful statement. The examiners represent the Office whereas the Boards arbitrate disputes between the Office and third parties or just between third parties. Moreover, the examiners are bound to apply the guidelines of the Office, the various communication and decisions of the Executive Director and are subject to the instructions received from their hierarchy. None of these obligations apply to the Boards.

In subsequent decisions the Courts put the last nail in the quasi-judicial coffin:

> It must be pointed out at the outset that, as regards the alleged infringement of the right to a fair hearing, the Court has excluded the possibility of relying on a right to a fair 'hearing' in proceedings before the Boards of Appeal of

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[4] 08/07/1999, T-163/98, Baby Dry, EU:T:1999:145, § 37–38.

[5] A Bender, 'Eine Zitronensinfonie des EuGH: Sind die beschwerdenkammern in Alicante kein gerichliches, sondern nur ein quasigerichliches Organ?' in *Festschrift für Karl-Heinz Fezer zum 70. Geburtstag* (München, C H Beck, 2016) p. 960.

[6] 30/06/2004, T-107/02, Biomate, EU:T:2004:196, para 34.

[7] 25/10/2005, T-379/03, Cloppenburg, EU:T:2005:373, para 22.

[8] 16/04/2008, T-181/05, Citi, EU:T:2008:112, para 19.

[9] 20/03/2013, T-277/12, Caffè Kimbo, EU:T:2013:146, para 39; 03/07/2013, T-236/12, Neo, EU:T:2013:343, para 24.

> OHIM [Office for Harmonization in the Internal Market], since proceedings before the Boards of Appeal are administrative and not judicial in nature.[10]

This qualification has been questioned by various scholars and commentators who suggested that the Boards could be seen as a quasi-judicial body.[11] The qualification of the quasi-judicial nature of the Boards is also supported by the opinion of Advocate General Bot:

> The third line of argument is based on the role performed by the competent OHIM bodies in disputes relating to Community trade marks. Far from being confined to an exclusively administrative role, those bodies perform a quasi-judicial function equivalent to that of national courts deciding on a counterclaim in infringement proceedings.[12]

The notion of 'quasi-judicial' bodies is not unknown within the law of the European Union. Indeed within the framework of the issue of the determination of the bodies empowered to make a reference pursuant to Article 234 EC, the Court of Justice highlighted that the expression 'Court or Tribunal' may include 'bodies other than ordinary court of law'.[13] In subsequent judgments, the Court of Justice developed the criteria to be applied to the qualification of a body as quasi-judicial: a quasi-judicial body must be established by law, must be permanent, its jurisdiction must be compulsory, it deals with *inter partes* proceedings and is entrusted with resolution of disputes, it is independent, applies the rule of law, it is bound by rules of adversary procedure similar to those used by the ordinary courts of law, and it renders decisions that are judicial in nature.[14] In a nutshell, a quasi-judicial body acts judicially but is not a court of law.

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[10] 20/04/2005, T-273/02, Calpico, EU:T:2005:134, para 62.

[11] See for example, A Bender, 'Eine Zitronensinfonie des EuGH: Sind die beschwerdenkammern in Alicante kein gerichliches, sondern nur ein quasigerichliches Organ?' in Festschrift für Karl-Heinz Fezer zum 70. Geburtstag (München, C H Beck, 2016). *Unionsmarkenverordnung:Kommentar*, 4 (Köln, Carl Heymanns Verlag, 2014) p. 1056.

[12] Case C-532/10 P, Archer Maclean's Mercury [2011] EU:C:2011:433, para 93.

[13] 61/65, EU:C:1966:39.

[14] Case C-54/96 Dorsch Consult [1997] EU:C:1997:413, para 23; Joined Cases C-110/98 to C-147/98 Gabalfrisa and Others [2000] EU:C:2000:145, para 33; Case C-195/98 Österreichischer Gewerkschaftsbund [2000] EU:C:2000:655, para 24; Case C-516/99 Schmid [2002] EU:C:2002:313, para 34; and Case C-134/97 Victoria Film [1998] EU:C:1998:535, para 14.

Applying these criteria, it should be noted that the Boards are established by law[15] and that they are also permanent. The jurisdiction is compulsory since there is no direct appeal of the decisions of the first instance to the General Court.[16] The procedures are *inter partes* in opposition and cancellation cases and, as the Court regularly reiterates, the Boards are bound to apply the law and not to rely for example on the previous decision-making practice of the Boards or the Office[17] or on declarations made by the Office in the course of a hearing before the General Court.[18]

The introduction by the amendments made to the Regulation in 2004 of the Grand Board reinforces the 'quasi-judicial' nature of the Boards. The *raison d'être* of the Grand Board is to foster a uniformity of the case-law of the Boards.[19] A referral to the Grand Board may be justified by the importance of the case, the difficulty of the issues raised by an appeal or by special circumstances,[20] for example if the Boards of Appeal have issued diverging decisions on a point of law raised by that case.[21] Furthermore, a Board 'shall refer a case allocated to it to the Grand Board if it believes that it must deviate from an interpretation of the relevant legislation given in an earlier decision of the Grand Board'.[22] The amended Regulation also provides that the Executive Director may submit to the Grand Board questions raised by the Executive Director on a point of law, in particular if the Boards of Appeal have issued diverging decisions on the point.[23] Decisions taken by the Grand Board on appeals or opinions on questions of law referred to it by the Executive Director pursuant to Article 157 European Trade Mark Regulation (EUTMR) shall be binding on all instances of the Office.[24] The Grand Board consists of nine members

> including the President of the Boards of Appeal, who shall chair it, the chairmen of the Boards, the rapporteur designated prior to referral to the Grand Board, if applicable, and members drawn in rotation from a list

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15 Article 165, EUTMR.
16 Article 1365, EUTMR.
17 Case T-106/00, Streamserve [2002] EU:T:2002:43, para 66.
18 Case T-402/07, Arcol II [2009] EU:T:2009:85, para 99.
19 Article 165(3), EUTMR.
20 Article 165, EUTMR.
21 *Idem.*
22 Article 37 of the Commission Delegated Regulation (EU) 2017/1430.
23 Article 157(4)(l), EUTMR.
24 Article 166(8), EUTMR.

comprising the names of all members of the Boards of Appeal other than the President of the Boards of Appeal and the chairmen of the Boards.[25]

The case may be referred to the Grand Board by the Board in charge of the case or by the Presidium following a proposal from the President of the Boards or one of its members.[26] The parties are not entitled to request a referral. The Grand Board is not bound by the referral and may decline to hear the case and remit it back to the Board initially in charge with the appeal.

A review of the statutory framework applicable to the Boards shows that the Boards are bound by rules of adversary procedure analogue to those used by the ordinary courts of law. As a first indicia supporting that conclusion, it should be noted that the cases are allocated by the Registrar of the Boards on the basis of objective criteria adopted by the Presidium of the Boards of Appeal.[27] The composition of each Board is also determined by a collegial decision taken by the Presidium. As a second indicia, as for ordinary courts of law, the jurisdiction of the Boards is limited by the scope of appeal as defined by the appellant and possible cross-appellant. As previously outlined, the Boards have for example no power to reopen the examination process with respect to goods and services accepted by the examiner and therefore not subject to the appeal.[28] In the same vein, pursuant to Article 95 EUTMR in *inter partes* proceedings the Board's review of the case is limited to the facts, evidence and arguments raised by the parties.

In terms of organization of the procedure, the Boards are vested with the power to summon and hear witnesses and experts,[29] to request the production of documents, to suspend the appeal proceedings,[30] to ask the parties for further clarifications by way of a written communication and finally to organize a hearing, which admittedly does not happen very often. These powers are part of the prerogatives which are typically entrusted to courts of law.

The adoption of a decision also follows the same pattern as the one preceding the release of a judgment by an ordinary court of law: a draft is prepared by the designated rapporteur and submitted for deliberation to

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[25] Article 167(2), EUTMR.

[26] Article 165(3), EUTMR.

[27] Article 35 of the Commission Delegated Regulation (EU) 2017/1430.

[28] Case T-277/12, Caffè Kimbo [2013] EU:T:2013:146, para 39; Case T-236/12, Neo [2013] EU:T:2013:343, para 24.

[29] Articles 96 and 97, EUTMR.

[30] Article 132, EUTMR.

the other members. The deliberation is secret.[31] The opinion of the rapporteur is heard first, followed by the second member and finally the Chairman. The decision is adopted by the rule of majority. Abstentions or dissenting opinions are not allowed.[32] Finally the Boards are entitled to award costs.[33]

With respect to the last criterion, the EUTMR addresses the issue of independence of the Boards and their members.[34] The contours of the judicial independence are well known: a member shall not 'occupy a hierarchical or subordinate position in relation to any other body and not taking orders or instruction from any source whatsoever'.[35] In this regard, the EUTMR ensures that the President, Chairmen and Board members are immune from any administrative interference or pressure. They are not part of the management of the Office and also cannot be examiners or members of the Opposition Division, the department in charge of the Register or the Cancellation Division.[36] In terms of instructions, Article 166(7) EUTMR specifically provides that in their decisions the members of the Boards shall not be bound by any instructions. This includes also the Office Guidelines.[37] Furthermore, a Board is not bound by a previous decision of the same or another Board.

As recognized on various occasions by the Court of Justice, the issue of independence is primarily linked to the rule of appointment and security of tenure. In order to avoid undue intervention or pressure, the law must provide for certain safeguards in respect of the appointment and more importantly the dismissal or the termination of the appointment.[38] With regard to the procedure of appointment, Articles 158 and 166(5) EUTMR provide that the President and Chairpersons are appointed by the Council by simple majority, from a list of candidates proposed by the

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[31] Article 39 of the Commission Delegated Regulation (EU) 2017/1430.

[32] Article 1339 of the Commission Delegated Regulation (EU) 2017/1430.

[33] Article 109, EUTMR.

[34] The members of the Boards have always taken the issue of their independence very seriously. In 1997, two members of the Boards filed an application for annulment of a decision of the President of the Office which, inter alia, provided that 'The Vice-President for Legal Affairs shall be the immediate superior of the chairmen of the Boards of Appeal.' See judgment of 8 June 1998, ECLI:EU:T:1998:114.

[35] 06/10/2015, ECLI:EU:C:2015:664, para 10.

[36] Article 166(9), EUTMR.

[37] Case C-149/11, Onel / Omel [2012] EU:C:2012:816, para 48 and Case C-53/11 P, R10 [2012] EU:C:2012:27, para 57.

[38] Case C-53/03, Syfait and Others [2005] ECLI:EU:C:2005:333, para 31.

Management Board, following an open and transparent selection procedure. Before being appointed, the candidate selected by the Management Board may be invited to make a statement before any competent European Parliament committee and to answer questions put by its members. Members are appointed by the Management Board, for a term of five years. The security of tenure is comparable to that of a judge. Indeed, the President, Chairpersons and Board members are not subject to the general disciplinary power of the Executive Director of the Office and can only be removed from office by the Court of Justice for serious grounds only on the recommendation of the President of the Boards of Appeal, and after consulting the Chairperson of the Board to which the member concerned belongs.[39] The position may be renewed without starting a new selection procedure: the President after a positive evaluation of his performance by the Management Board; the Chairpersons and members after a prior positive evaluation of their performance by the Management Board, and after consulting the President of the Boards of Appeal.

As a further indication of the quasi-judicial nature of the Boards, the Boards shall remain impartial and that pursuant to Article 169 EUTMR a member shall not take part in any proceedings if they have any personal interest therein or if they have previously been involved as representatives of one of the parties. Furthermore, pursuant to Article 35 of the Commission Delegated Regulation (EU) 2017/1430, when a case is sent back to the Boards after the annulment of the decision by the General Court, members who were part of the first composition cannot be part of the second. The disqualification of a member based on partiality ('judex suspectus') is foreseen by Article 169 EUTMR. This provision is rooted in Article 6 of the European Convention on Human Rights (ECHR) which guarantees the right to a fair hearing by an independent and impartial tribunal. The purpose of Article 169 EUTMR is to prevent the risk of potential conflict of interest and to foster public confidence in the integrity of the process before the Boards and afford the party a fair assessment of their disputes. Any member shall disqualify himself or may be disqualified upon request of a party in any case in which he has a personal interest, has been advising one of the party or that his impartiality may be questioned. A 'personal interest' means that the member, individually or through a company or a close member of the family, has a financial interest in the subject matter of the dispute before the Boards or in a party to the proceedings. Partiality means that a

[39] Article 166(7), EUTMR.

member is suspected to be biased or prejudiced against a party. The relevant test is based on a reasonable apprehension of bias:

> the existence of partiality ... must be determined according to a subjective test, that is on the basis of the personal conviction and behaviour of a particular judge in a given case, and also according to an objective test ... there are ascertainable facts which may raise doubts as to his impartiality.[40]

However, no objection may be based upon the nationality of a member.

Having regard to the Court's own case-law, it can be safely concluded that the Boards are vested with judicial functions and that they are indeed quasi-judicial bodies.

2. REVISITING THE ISSUE OF THE STANDARD OF REVIEW OF THE DECISIONS OF THE BOARDS

The issue of the standard of review of administrative decisions is a rather complex subject. Within the limited framework of this paper suffice it to say that the standard of review refers to the level to which the courts will defer the decision of an administrative decision maker before annulling that decision. In European administrative law, the two main standards are 'correctness' which allows the Court to substitute its own judgment to the one of the administrative body and 'reasonableness' where the Court limits itself to a review of manifest errors of assessment.

An appeal from the decisions of the Boards to the General Court is foreseen by Article 72 EUTMR:

> Actions may be brought before the General Court against decisions of the Boards of Appeal ... on grounds of lack of competence, infringement of an essential procedural requirement, infringement of the TFEU, of this Regulation or of any rule of law relating to their application or misuse of power.

This list is exhaustive.[41] Article 72 EUTMR echoes the principles laid down by Article 263 TFEU, Article 47 of the Charter of the Fundamental Rights of the European Union and Article 6(1) of the ECHR which guarantees the right to an effective remedy before a court of law. The Regulation, however, remains silent on the standard of review.

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[40] Decision of 07/08/1996, *Ferrantelli and Santangelo v Italy*, case no 19874/92, paras 56–58.

[41] Case C-311/05 P, *Playing cards* [2007] EU:C:2007:572, para 37.

A 'lack of competence' implies that the Boards have exceeded their jurisdiction. This principle has been applied to cases where the Board had on his own volition reopened the examination of a trade mark and had rejected the application for goods that had been accepted by the examiner. The General Court emphasized that the Boards 'exceeded the limits of its powers in so far as it reopened of its own motion the examination'.[42] An 'infringement of an essential procedural requirement' refers to the breach of fundamental procedural principles, essentially the right of defence and the duty to state reasons. A 'misuse of power' is linked to situations where 'an administrative authority has used its powers for a purpose other than that for which they were conferred on it'.[43] 'Infringement of the TFEU' can be raised in situations where a provision of the Regulations may be incompatible with the Treaty or where a decision directly contravenes the Treaty. An infringement of the Treaty has for example been argued but dismissed in relation to the language regime of the Office. All these cases raise an issue of public policy and deserve an extensive review based on the standard of correctness.

Finally, an infringement of the Regulation (including the Delegated and Implementing Regulations) is the most common ground of appeal. The appellant submits that the Boards erred in law or misinterpreted the law. When the Board's decision raises a matter of discretion, for example a decision regarding the suspension of the proceedings, the judicial review is restricted 'to ascertaining that no manifest error of assessment or misuse of powers has occurred'.[44] This corresponds to the norm of reasonableness. However, on substantive issues the Court can review the case following the standard of correctness: 'the Court of First Instance can carry out a full review of the legality of the decisions of OHIM's Boards of Appeal, if necessary examining whether those Boards have made a correct legal classification of the facts of the dispute'.[45] The Court of Justice left a small window open for a limited review in cases involving highly technical issues: 'Admittedly, the General Court may afford OHIM some latitude, in particular where OHIM is called upon to perform highly technical assessments, and restrict itself, in terms of the scope of its review of the Board of Appeal's decisions in industrial design

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[42] Case T-484/13, *The Youth Experts* [2014] EU:T:2014:963, para 24.

[43] Case T-30/00 *Henkel v OHIM (Image of a detergent product)* [2001] EU:T:2001:223, para 70.

[44] Case T-40/09, *Vogue Café/Vogue Studio et al.* [2016] EU:T:2016:119, para 62.

[45] Case C-16/06 P, *Mobilix* [2008] EU:C:2008:739, para 39.

matters, to an examination of manifest errors of assessment.'[46] The choice of this standard of review which gives no deference at all to the Boards' decisions is certainly questionable.

Firstly, the standard of 'manifest error' is not unknown in European administrative law. In disputes involving complex economic or technical assessments which require a high degree of technical ability and economic expertise, the case-law has recognized that the scope of the review should be limited to 'verifying whether the rules on procedure and on the statement of reasons have been complied with, whether the facts have been accurately stated and whether there has been any manifest error of appraisal or misuse of powers'.[47] This standard has been applied in competition law cases[48] and in litigation involving decisions of the European Chemical Agency.[49] This standard of review complies with Article 6(1) ECHR. Indeed, the European Court of Human Rights held that a limited review by a Court 'can reasonably be expected in specialised areas of the law such as the one at issue, particularly where the facts have already been established in the course of a quasi-judicial procedure'.[50]

Secondly, it is interesting to note that when interpreting an identical provision to Article 72 EUTMR as inserted in the Community Plant Variety Regulation[51] the Court of Justice was amenable to the idea of a limited control of the decision of the Boards of Appeal sitting in Angers:

> ... the General Court, ... was not required to carry out a complete review in order to determine whether or not the SUMCOL 01 variety lacked distinctness for the purposes of Article 7(1) of Regulation No 2100/94 but that it was entitled, in the light of the scientific and technical complexity of that

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[46] Case C-101/11 P and C-102/11 P, *Ornamentación* [2012] EU:C:2012:641, para 41.

[47] See, inter alia, Joined Cases C-204/00 P, C-205/00 P, C-211/00 P, C-213/00 P, C-217/00 P and C-219/00 P *Aalborg Portland and Others v Commission* [2004] EU:C:2004:6, para 279.

[48] See, to that effect, in particular, Case C-413/06 P, *Bertelsmann and Sony Corporation of America v Impala* [2008] EU:C:2008:392, para 145.

[49] Case T-135/13, *Hitachi Chemical Europe and Others v ECHA* [2015] ECLI:EU:T:2015:253, para 52.

[50] *Bryan v the United Kingdom* [1995] ECHR 50, paras 46–47.

[51] Article 73(2), Community Plant Variety Right (CPVR): '2. The further appeal may be lodged on grounds of lack of competence, infringement of an essential procedural requirement, infringement of the Treaty, of this Regulation, or of any rule of law relating to their application or misuse of power.'

> condition, … compliance with which must be verified by means of a technical examination … to limit itself to a review of manifest errors of assessment.[52]

Thirdly, Advocate General Sharpston went as far as to suggest that the control by the General Court of decisions of the Boards should be limited to questions of law: '… it confirms me in my view that an appellate court should not interfere with such a finding by the Board of Appeal (itself already adjudicating on appeal from the decision of an OHIM examiner' without good reason. That approach is also supported by the wording of Article 72(2) EUTMR, which provides that actions against decisions of the Boards of Appeal 'may be brought on grounds of lack of competence, infringement of an essential procedural requirement, infringement of the Treaty, of this Regulation or of any rule of law relating to their application, or misuse of power'. To my mind, that wording strongly suggests that the jurisdiction of the Court of First Instance when reviewing such a decision is limited to points of law. It would follow that review by that court of a decision of the OHIM Board of Appeal 'is confined to review of the legality of that decision, and is thus not intended to re-examine the facts which were assessed within OHIM'.[53]

Fourthly, according to Article 135(4) of the Rules of Procedure of the General Court 'the parties' pleadings may not change the subject-matter of the proceedings before the Board of Appeal'. Furthermore, save exceptional circumstances, the General Court does not allow the filing of new evidence. Therefore, the Boards are the last fact-finding instance. This also favours a limited review by the General Court.

Fifthly, the Boards are a quasi-judicial body with a special and extensive experience in trade marks and designs matters. Their members have at least fifteen years of experience in intellectual property (IP) matters and each member handles over 400 trade mark cases on a yearly basis.

Finally, in most appeals lodged before the General Court, the appellant essentially requests a third assessment of his case. This invites a reflection on the investment of judicial resources and the principle of good administration of justice.

Given the lawfulness of the decision taken by the administration having been reviewed *de novo* by the Boards, should the General Court conduct a third review and deal with all the questions that originated the

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[52] Judgment of *Ralf Schräder v Community Plant Variety Office (CPVO)*, C-38/09P, ECLI:EU:C:2010:196, para 77.

[53] Opinion of Advocate General Sharpston in Case C-273/05 P, para 86.

dispute and possibly substitute with its own views the ones adopted by the Boards?

In terms of use of judicial resources, the number of judgments rendered by the General Court and the Court of Justice in connection with European Union trade mark applications have multiplied by four in one decade (eighty-nine judgments in 2005, 387 in 2015 (40% of all closed cases)). In 2015, the number of new cases introduced before the General Court in trade mark matters has for the first time in the history of the Court exceeded 300, which represents more than 36% of the new cases. In view of these astronomical figures, it would certainly be advisable to limit the number of cases that reach the General Court by restricting the scope of review. One possible means to reduce the number of appeals to the General Court would be to change the standard of review. This would discourage litigants from bringing frivolous appeals or at least to allow the General Court to dismiss them summarily without engaging in discussion on the merit.

CONCLUSION

It may be difficult to extrapolate legislative intent but it seems that the legislator clearly intended to confer on the Boards of Appeal at least some judicial functions. This is not inconsistent with modern administrative law. Adjudication of disputes by administrative bodies is an increasing phenomenon. Administrative boards or tribunals are usually composed of experts in a specialized area and provide a quick, effective but also inexpensive resolution of disputes. This is also the case for the Boards of Appeal. Twenty members have been able to cope with the increasing number of appeals (in excess of 3,000 per year) in a reasonable time (in most cases within eight months from the assignment of a file to the rapporteur). In that sense, the reliance on a Board to deal with appeals against decisions of the Office has been a success. As discussed above, one of the main objectives of the Boards is to reduce the number of decisions that will eventually reach the courts and therefore avoid a possible congestion at the courts' level. The approach currently taken by the courts in the review of Board decisions is a direct encouragement to file frivolous or at least very weak appeals.

14. The Boards of Appeal of the European Union Intellectual Property Office

Alexander von Mühlendahl

1. INTRODUCTION

In designing the review of decisions of the European Union's trade marks and designs office, originally called the Office for Harmonization in the Internal Market (Trade Marks and Designs), and known under its acronym OHIM, and since March 2016 called the European Union Intellectual Property Office (EUIPO), the early drafts of what eventually became the Regulation on the Community trade mark (now Regulation on the European Union trade mark) placed emphasis on modelling the provisions on the European Patent Office's (EPO's) Boards of Appeal. While a final control of legality by the Court of Justice of the European Union (then still European Community (EC)) was foreseen, the focus was on establishing an independent, court-like review structure within the Office. All of this was highly disputed at the time because the legal basis for the creation of the Community trade mark system and its administrative structure, Article 235 of the EC Treaty, was untested for such an ambitious task.

In the end, after the establishment of what was called the Court of First Instance, now the General Court, in 1988,[1] it became clear that all efforts to limit judicial review would fail, and that all decisions of the Boards of Appeal would be appealable to the Luxembourg courts.

While the wording of many provisions, including the Rules of Procedure of the Boards of Appeal, were often the same or almost the same as

[1] For the historian of EU trade mark law it should be interesting to note that the predecessor what is now Article 65 of the European Trade Mark Regulation (EUTMR), although adopted in 1993, did not even refer to the Court of First Instance.

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those governing the EPO Boards of Appeal, the nature of these 'Boards' is entirely different: the EPO Boards are the only level of judicial review of EPO administrative decisions, and the Boards are, except in name, 'courts'. In the EU judicial system the Board decisions are taken by a 'quasi-judicial' administrative tribunal, subject to two further levels of judicial review: first, by the General Court, and, second, by the Court of Justice, the latter on appeal on points of law.[2]

2. THE LEGAL BASIS OF THE BOARDS OF APPEAL[3]

The Boards of Appeal are listed in Article 130 EUTMR among the units responsible for taking decisions. Their competence is listed in Article 135 EUTMR, namely deciding on appeals against any of the first instance units (Examiners, Opposition Divisions, Cancellation Divisions and so on). The Boards have a President and chairpersons, as well as ordinary members. The President and the chairpersons are appointed by the Council of Ministers, for periods of five years, pursuant to the same procedure applicable for the appointment of the Executive Director and Deputy Executive Directors (Article 136 (1) EUTMR). The ordinary members are appointed, also for five years, by the Office's Management Board. The President may be reappointed once, while the chairpersons and ordinary members may be reappointed without limitation.

3. THE COMPOSITION OF THE BOARDS OF APPEAL

Article 135 (2) EUTMR provides that decisions shall be taken by Boards composed of three members. Furthermore, the Regulation provides for the establishment of a Grand Board that may be called upon to decide in

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[2] A comprehensive review and analysis of the review system in EU trade mark law is found in A von Mühlendahl, Rechtsmittel gegen Entscheidungen des Harmonisierungsamt für den Binnenmarkt (Marken, Muster und Modelle), in: Festschrift für F.K. Beier zum 70. Geburtstag, Carl Heymanns 1996, p. 303.

[3] The current text is that of Council Regulation (EC) on the European Union trade mark (EUTMR), as amended by Regulation (EU) 2015/2424 of the European Parliament and of the Council of 16 December 2015 amending Council Regulation (EC) No 207/2009 on the Community trade mark and Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs).

'legally difficult' or 'important' cases, or when 'special circumstances' justify it. Cases may be referred to the Grand Board by an individual Board or by the authority of the Boards referred to in Article 136 (4) EUTMR, a kind of 'Presidium'. A novelty since the 2015 amendments of the Regulation is that the Executive Director of the Office may request the Grand Board to give a reasoned opinion on a question of law.

In the early days of the Alicante Office, three Boards were entirely sufficient to deal with the early decisions of Examiners and Opposition Divisions. By now – 2016 – there are five Boards of Appeal, and altogether, in addition to the President of the Boards, 18 members. Four of the Boards deal with trade mark appeals, while the fifth Board, composed of members of the other four Boards, deals with appeals in design cases.

4. THE NATURE OF THE BOARDS OF APPEAL

The Boards are not courts – in the European Union the judiciary is exercised by the Court of Justice of the European Union, composed of the General Court and the Court of Justice, as well as the Staff Tribunal (until its dissolution). This excludes a judicial function for an administrative tribunal like the Boards of Appeal. Nevertheless, the members of the Boards have a large degree of independence, similar to judges, both as regards their tenure and as regards the fact that they are not bound by any instructions. Thus, they should be qualified as 'quasi-judicial' tribunals.[4]

5. THE REVIEW FUNCTION OF THE BOARDS OF APPEAL

The Boards have the task of 'reviewing' the decisions taken in the Office by first-instance units (Article 58, EUTMR). Any decision may be appealed by the person affected by the decision (Article 59, EUTMR). In *ex parte* cases this is typically the partially or totally unsuccessful applicant seeking registration of a trade mark (or a design). In *inter partes* cases this will typically be the persons whose opposition or invalidation or revocation request has been totally or partially rejected or

[4] This was established in the first case reaching the Court of First Instance (now General Court) on appeal from a Board decision, decision of 8 July 1999, Case T-163/98 – Procter & Gamble (Baby-Dry), para 36 *et seq.*

the person whose application or registration was totally or partially rejected or invalidated. The task of the Boards upon review is to decide what the right or correct decision is at the time that the decision is taken, in view of the law and the facts existing at that time. This means in essence that the Boards, as second intra-Office instance, must examine all the issues raised on appeal *de novo*, including taking into account new facts presented for the first time in the course of the appeal. One of the highly contentious issues, having given rise to numerous cases decided by the General Court and the Court of Justice, is the obligation of the Board to take into account new evidence, or, conversely, the power of the Board to reject taking into account such new evidence.

Since the early days of the Office, the Boards of Appeal have been called upon to decide on close to 30,000 cases.[5] It is indeed a remarkable feat that this has been achieved with a rather low number of Board members. This was possible through a reliance on the written record only – with perhaps one or two exceptions, the Boards have refused to hold oral hearings even if requested and justified by the parties to the case. Also, many cases present rather simple factual and legal questions, and routine analysis of such appeals is not too challenging. Still, the overall accomplishments of Boards are actually quite spectacular.

Throughout its existence, the review of Office decisions has led to affirmance in the large majority of cases. More than two thirds of all appealed decisions have been confirmed.[6] On the other hand the Boards have contributed to continuity in the decision-making, in spite of all the difficulties faced in coordinating the decision-making among four trade mark Boards. In design cases, a single Board is competent and thus inherent consistency in the Board decisions is assured.

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[5] In the years since 2010, the following are the numbers of appeals filed, and separated between *ex parte* and *inter partes* appeals: 2010: 2570 (396/2174); 2011: 2622 (667/1955); 2012: 2339 (644/1695); 2013: 2602 (890/1712); 2014: 3284 (1240/2044); 2015: 2611 (946/1665).

[6] The exact figures for 2015 follow: Total number of decisions: 2911, of these *ex parte*: 1113, and of these deemed not filed: 98; confirmed: 785; reversed in full: 175; reversed in part: 55. Of the total of 2911 *inter partes*: 1798; disposed of as deemed not filed: 110; confirmed: 916; reversed in full: 329; reversed in part: 182; settled: 261.

6. THE FILTER FUNCTION OF THE BOARDS OF APPEAL

In the negotiations in the 1980s and early 1990s leading to the adoption of what was then the Community Trade Mark Regulation, the ability of the various instances involved in dealing with the likely or expected volume of cases was a primary concern. Early estimates of likely trade mark applications resulted in an estimate of initially 15,000 per year, and perhaps 25,000 in the long run. These estimates were surpassed by a large margin in the first year of the Office's operation, when more than 40,000 applications were received. After a short 'dip' related to the 'dot.com' bubble the Office has seen a steady increase to now substantially more than 100,000 new applications, comprising on average more than 2.5 classes of goods or services per application. The Office has been able to deal with these applications, in a multi-language environment, with some delays in some operations, such as oppositions, which now have been largely overcome. Similarly, the Boards of Appeal have been able to cope with close to 3,000 new appeals each year. The unknown factor in these equations was the role to be played by the courts in Luxembourg, with any attempt of limiting access to the courts not feasible, and the access itself rather simple and not subject to payment of any court costs.

After a slow start – the first case was decided in 1999, and the Court of First Instance, as it was then called, had appointed two of their chambers to deal with trade mark cases and established a common unit staffed with lawyers with experience in trade mark law – the trade mark cases now comprise more than one third of all cases for the General Court.[7] Even for experienced court observers it has become difficult to follow their case law in all its details, a difficulty enhanced by the fact that the General Court nowadays rarely issues its trade mark decisions in more languages than the language of the proceedings and French.

Still, compared with the 3,000 appeals that the Boards have to deal with each year, the number of cases brought before the General Court each year, amounting to no more than 10 to 15% of the appealable decisions taken by the Boards, confirms that the promise of an effective filter function of the Boards has been fulfilled.

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[7] The figures of new cases filed from 2010 to 2015 are as follows (totals, *ex parte*, *inter partes*): 2010: 207 (48/159); 2011: 220 (42/178); 2012: 245 (45/200); 2013: 296 (52/244); 2014: 289 (97/192); 2015: 275 (60/215).

In order to complete the picture, it should be pointed out that about 10 to 15% of all decisions taken by the General Court are appealed, on points of law, to the Court of Justice.[8] Many of these appeals are without merit, and the Court of Justice has routinely dismissed such meritless appeals by reasoned order, in accordance with Article 181 of the Rules of Procedure of the Court.

7. SOME CONCLUSIONS

The success of the European Union's trade mark is due primarily to the inherent attractiveness of a system which provides unitary protection throughout the territory of the European Union, comprising (still) 28 Member States and a population of more than 500 million inhabitants. But the design of the system of course also contributes to its success: relatively low fees, a streamlined examination system, and an opposition procedure which allows for the settlement of disputes without the need to arrive at a final decision. The review system with the effective Boards of Appeal, and the General Court and the Court of Justice, certainly has contributed to the stability of the system as well.

[8] The figures for 2010 to 2015 are as follows (totals, *ex parte*, *inter partes*): 2010: 32 (11/20); 2011: 37 (9/28); 2012: 37 (1/36); 2013: 35 (5/30); 2014: 33 (5/28); 2015: 59 (7/52).

PART II

Intellectual property and courts in the United States and Japan

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15. The proposed structure and function of the Unified Patent Court: lessons from the American judicial experience

The Honorable Kathleen M O'Malley[1] and The Honorable Barbara M G Lynn[2]

The European Union's first centralized patent court, the Unified Patent Court (UPC), is currently awaiting ratification. This Chapter hopes to provide some brief insights on the structure of patent litigation in the United States in the hope that the US experience might inform development of the UPC.[3]

[1] The Honorable Kathleen M O'Malley was appointed to the Federal Circuit by President Barack H Obama in 2010. Prior to her elevation to the Federal Circuit, Judge O'Malley was appointed to the United States District Court for the Northern District of Ohio by President William J Clinton in 1994. Prior to her appointment to the bench, Judge O'Malley served as First Assistant Attorney General, Chief of Staff, and Chief Counsel to the Attorney General for the State of Ohio. Many aspects of this Chapter have been drawn from earlier speeches and publications authored by Judge O'Malley.

[2] The Honorable Barbara M G Lynn was appointed to the Northern District of Texas by President William J Clinton in 2000. On 1 May 2016, Chief Judge Lynn became the Chief Judge of the Northern District of Texas, the first female Chief in Texas. Prior to becoming a federal judge, Chief Judge Lynn was a partner at the Dallas firm of Carrington, Coleman, Sloman & Blumenthal, LLP. Chief Judge Lynn is a Patent Pilot judge.

[3] We thank our law clerks Allison Schmitt and Katherine Marcom for their assistance with this project.

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1. OVERVIEW OF THE UNITED STATES PATENT SYSTEM

The patent system in the United States stems from Article 1, Section 8, Clause 8 of the Constitution, which empowers Congress to promote 'the Progress of Science and useful Arts' through grants to inventors of the 'exclusive Right to their respective Writings and Discoveries'.[4] With the passage of the first general Patent Acts in 1790 and 1793, Congress created a system of judicial remedies through which patent owners can enforce their property rights, and in the Act of 1836, created the Patent Office and associated procedures for applying for and obtaining patents.[5] Now, patent applications are prosecuted by the United States Patent and Trademark Office (PTO), which employs thousands of scientists and engineers as patent examiners.

The United States district courts exercise original jurisdiction over any civil action relating to patents.[6] Patent owners seeking to bring infringement actions can file suit in one of the nation's ninety-four federal district courts, which determine issues of law, perform any claim construction, and oversee a jury or bench trial on the merits of the case. Both validity and infringement are considered in the same forum and in the context of the same action. District courts hear many different types of disputes, not just patent cases; Congress permits federal district courts to hear cases or controversies arising under any federal law, or cases between diverse parties. Accordingly, patent cases make up but a fraction of a district court's docket.[7] Certain district court judges have elected to participate in the 'Patent Pilot Program', which encourages patent expertise among district court judges who wish to preside over a greater number of patent cases.[8]

Certain patent proceedings may also be initiated in the PTO before the Patent Trial and Appeal Board (PTAB). The Leahy-Smith America Invents Act (AIA), signed into law in 2011, created a variety of trial-like proceedings to assess the validity of patents issued by the PTO. Included in these proceedings are *inter partes* review, post-grant review, covered business method patent review, and others. These proceedings were designed to be cheaper, more streamlined, and more efficient than suits in

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[4] US Const art 1, § 8, cl 8.
[5] Moy's Walker on Patents, §§ 1:19–20 (4th ed 2015).
[6] 28 USC § 1338 (2012).
[7] 28 USC §§ 1331–2 (2012).
[8] Pub L No 111-349, 124 Stat 3674 (4 Jan. 2011).

district court; they allow for only limited discovery and are to be conducted within much shorter deadlines.[9] The proceedings have proven to be popular, with over 5,500 AIA petitions filed since September 2012.[10] The majority of the filed petitions have been for *inter partes* review, and frequently are filed by defendants in concurrently pending district court litigation.[11] PTAB proceedings are conducted by administrative law judges (ALJs), who include former patent examiners or practitioners.[12] In contrast to district court judges, who are Article III judges, appointed for life by the President and confirmed by the Senate, ALJs are appointed by the Director of the PTO and serve at the Director's pleasure.[13]

The International Trade Commission (ITC) is a federal agency that also plays a role in the American patent system. The ITC investigates 'Unfair Practices in Import Trade' and bars importation of goods that are found to infringe domestic patent rights.[14] ITC investigations, commonly known as section 337 investigations, are distinct from district court proceedings because, to qualify for protection under section 337, a complainant must be engaged in a domestic industry. Section 337 investigations typically produce final determinations within 12 to 16 months from initiation of an investigation, somewhat faster than the average district court patent litigation action is resolved.[15] The ALJ in charge of a section 337 investigation may recommend imposition of an exclusion remedy that bars the import of infringing goods for a period of time or permanently, making litigation at the ITC an attractive option for

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[9] See 35 USC §§ 311–19.

[10] *AIA Trial Statistics*, USPTO <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/statistics/aia-trial-statistics> accessed 7 Oct. 2016.

[11] Ibid.; see also S Vishnubhakat et al., 'Strategic Decision Making in Dual PTAB and District Court Proceedings' (2016) 31 Berkeley Tech. LJ 45, 87.

[12] For example, G Quinn, *8 New PTAB Judges Sworn in at USPTO*, IPWatchdog (12 Nov. 2012) <http://www.ipwatchdog.com/2012/11/12/8-new-ptab-judges-sworn-in-at-uspto/id=29896/> accessed 8 May 2018 (introducing eight new PTAB judges, including two former patent examiners).

[13] *Are You Interested in Becoming an Administrative Patent Judge?*, USPTO <https://www.uspto.gov/sites/default/files/documents/ptab_brochure_v2_4_10_14.pdf> accessed 7 Oct. 2016.

[14] 19 USC § 1337 (2012); see *Mission Statement*, United States International Trade Commission (USITC) <https://www.usitc.gov/press_room/mission_statement.htm> accessed 10 Oct. 2016.

[15] Peter S Menell, 'The International Trade Commission's Section 337 Authority' (2010) 79 Patently-O Patent LJ 79, 85.

eligible litigants.[16] ALJ determinations are reviewed by the full Commission and, in rare cases, Commission determinations may be set aside by the President. As of 2010, the ITC conducted more full patent adjudications on an annual basis than any single district court in the nation, but far fewer than all district courts combined.[17] While the number of ITC patent actions has decreased in recent years, it remains an important and active forum for consideration of patent claims.

District court cases, PTAB proceedings, and ITC decisions are all appealed to the Federal Circuit. The Federal Circuit was formed in 1982 to address a perceived lack of uniformity in the enforcement of patent rights.[18] Before the creation of the Federal Circuit, the various regional circuits had differing views on patent scope and quality, and the Supreme Court had shown little willingness to resolve those differences.[19] The Federal Circuit was formed to limit forum shopping and reduce inconsistencies among the circuits.[20] Congress felt that the lack of consistency in how circuit courts interpreted and applied the patent law impeded innovation by making it difficult to rely predictably on the rights patents conveyed.[21]

But the Federal Circuit was not formed to craft patent policy; as with all other Circuit Courts of Appeals, any development in the law must occur incrementally through case-by-case decision making. Remarks by Senators Max Baucus and Patrick Leahy in the legislative history of the Federal Courts Improvement Act that created the Federal Circuit are telling. Senator Baucus spoke out against creating a specialized court, arguing that, if there is a perceived ambiguity in the patent laws, 'then the appropriate congressional response should be substantive reform rather than passing the issue [to] a new court'.[22] Senator Leahy, on the other hand, supported the creation of the court to address non-substantive problems with patent law. He said that the court 'will not solve any of the substantive problems with our patent laws, but it will go a long way to

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[16] Ibid.

[17] Ibid.

[18] Federal Courts Improvement Act of 1982, Pub L No 97-164, 96 Stat 25 (codified as amended in various sections of 28 USC); see, for example, R Desmond, Comment, 'Rubber Stamp or Court of Last Resort: The Proper Standard of Review in Patent and Trademark Cases' (1999) 48 Drake L Rev 211.

[19] See generally D J Meador, 'Origin of the Federal Circuit: A Personal Account' (1992) 41 Am U L Rev 581.

[20] Ibid.

[21] Ibid.

[22] S Rep No 97-275, at 40–1 (1982), reprinted in 1982 USCCAN app B at 49.

diminishing the forum shopping and reducing excessive cost and inconsistency in patent litigation'.[23]

Thus, Congress did not choose to create a quasi-adjudicatory agency when it created the Federal Circuit. Nor did it create an Article I court with specialized rules and processes. It created an Article III court governed by the same rules and the same decisional paradigms that govern every other Article III court, and populated by the same types of generalist judges. And it created a court with a broad jurisdictional reach; the Federal Circuit is not just a patent court.

While there was once a fairly robust common law related to patent enforcement and validity in the American system, the common law has been displaced by a detailed and regimented statutory structure, dictated by Congress. As a result, the common law plays a small role in the American patent system today, and even when the common law developed based on gaps in the statutory scheme, Congress often has stepped in to fill those gaps. Judges are to apply the law as written, regardless of whether they think Congress's choices make sense or would match their own choices if given the flexibility to make them. Where gaps in the law exist, moreover, judges in the American system do not have the right to make policy choices that differ from those choices well established by the Supreme Court and governing precedent. Applying this concept to patent law, because the Federal Circuit decides patent cases in the context of a comprehensive statutory scheme, fairly well established precedent, and in light of governing written documents, those marginal instances where policy choices need to be made tend to be few.

The Federal Circuit has subject matter jurisdiction over patent appeals from all district courts.[24] The Federal Circuit also has jurisdiction over appeals from the United States Court of Federal Claims, the United States Court of International Trade, the International Trade Commission, and the United States Court of Appeals for Veterans Claims.[25] The court also hears appeals from the decisions of certain administrative agencies, including the United States Merit Systems Protection Board, the Boards

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[23] S Rep No 97-275, at 39 (1982), reprinted in 1982 USCCAN app B at 48.

[24] 28 USC § 1295(a)(1) (2012) ('The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction of an appeal from a final decision of a district court of the United States, the District Court of Guam, the District Court of the Virgin Islands, or the District Court of the Northern Mariana Islands, in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents or plant variety protection …').

[25] Ibid. §§ 1295(a)(3), 1295(a)(5), 1295(a)(6); 38 U.S.C. § 7292(a)–(c).

of Contract Appeals, the Patent Trial and Appeal Board, and the Trademark Trial and Appeal Board.[26] The Federal Circuit also reviews decisions from the Office of Compliance, an independent agency in the legislative branch, as well as the Government Accountability Office Personnel Appeals Board and the Department of Justice Bureau of Justice Assistance.[27] At the time of its formation, Congress believed that the development of patent law would be improved by giving the judges of the Federal Circuit authority over many areas of law. The prevailing view was that the Federal Circuit judges would be aided by a broader understanding of the application of legal principles and procedures over a broad range of cases.

Adverse decisions of the Federal Circuit may be appealed to the Supreme Court of the United States, which may exercise its discretion to hear the case.[28] The Supreme Court is the final arbiter of all patent actions, regardless of origination. The Supreme Court's willingness to consider issues raised in patent actions over the years has wavered. As discussed below, in recent years, the Supreme Court has become a more active participant in the development of patent law.

2. THE FEDERAL CIRCUIT'S FIRST 30 YEARS

During the first year after the Federal Circuit was formed, the court entertained appeals from district court judgments in only 263 cases, despite the court's nationwide jurisdiction over patent actions arising in all district courts.[29] Patent cases were approximately 12% of the total number of cases initially assigned to the Federal Circuit.[30] By 2005, patent appeals from the district courts accounted for about 25% of the Federal Circuit's caseload, with another 5% of cases originating from the PTAB and 1% of cases originating from the International Trade Commission.[31] In fiscal year 2015, by comparison, the Federal Circuit entertained appeals from district court judgments in 632 patent cases. Meanwhile,

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[26] 28 USC §§ 1295(a)(4)(A)–(B), (a)(9), (a)(10).

[27] *Court Jurisdiction*, US Ct Appeals Fed Cir <http://www.cafc.uscourts.gov/the-court/court-jurisdiction> accessed 7 Oct. 2016.

[28] 28 USC § 1254.

[29] R Cooper Dreyfuss, 'The Federal Circuit: A Case Study in Specialized Courts' (1989) 64 NYU L Rev 1, 76.

[30] Judge P Newman, 'Foreword: The Federal Circuit in Perspective' (2005) 54 Am U L Rev 821, 823.

[31] Ibid. 823–4.

patent litigation filings in district courts rose to almost 6,000, and 476 PTO decisions were appealed. ITC actions involving patent claims also have increased. Patent appeals now account for over 60% of the Federal Circuit's docket.[32]

During its early years of jurisprudence, the Federal Circuit focused on defining principles governing patent practice and procedure. Other than on jurisdictional issues, to the extent the Supreme Court weighed in on those early decisions, the Supreme Court seemed supportive of the Federal Circuit's approach, as reflected in *Markman v Westview Instruments, Inc.*[33] and, to some extent, in *Warner-Jenkinson Co. v Hilton Davis Chemical Co.*[34] But then, the landscape of intellectual property (IP) enforcement changed drastically, dramatically increasing the number of cases heard by the Federal Circuit.

These changes occurred in two phases: (1) changes in the IP space that caused all three branches of government to take notice of patent litigation; and (2) changes to the patent law designed to address perceived inefficiencies in or burdens imposed by that litigation. The first wave of changes created a frenzied dialogue over the need for policy-based reform to the patent system. The second wave of changes reflected the first efforts to effectuate such policy changes. Both waves of changes have created substantial challenges for the Federal Circuit.

The first wave began in the 1990s. Since then, there has been a change in the *volume* of patent litigation, the parties engaging in it, the character of the rights parties were seeking to enforce, and the impact of patent litigation on those involved in it.

Along with the increase in volume, the quality and character of patent litigation were also changing. Many of the patent cases filed in recent years have been brought by patent owners who do not actually practice the invention that is the subject of the patent and that is allegedly embodied in the product or method they attack. These patent owners are often referred to as 'non-practicing entities' (NPEs). Many of these NPEs obtained or purchased patents for the sole purpose of generating capital by licensing or enforcing them. This monetization of the property rights reflected in patents was new and, at times, resulted in the enforcement of patents which in years past would have remained dormant—passive rights which owners did not have the wherewithal or the desire to enforce. And, at times, though certainly not always, it has resulted in the

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[32] *Statistics*, US Ct Appeals Fed Cir <http://www.cafc.uscourts.gov/the-court/statistics> accessed 7 Oct. 2016.

[33] 517 US 370 (1996).

[34] 520 US 17 (1997).

enforcement of—or efforts to enforce—undeserving patents, which either should not have been granted or were no longer relevant.

With rapid changes in technology and creative entrepreneurs realizing that patents could help protect their business models—or even be their business models—the types of patent claims asserted shifted from simpler technologies to the often complex worlds of computer-implemented technology and biotechnology. There was also an increase in the assertion of business method patents, with claims in those cases seemingly targeting basic business activities.

Regardless of the party asserting a claim or the nature of the claim asserted, moreover, many defendants began to face parallel proceedings: district court actions were pending while the same patent claims or products were at issue before the ITC or the PTO, or both. These parallel actions stretched the resources of those sued, causing races to judgment and risking inconsistent determinations. In some cases, patent actions began to include claims against a corporation's customers, even small size retailers, further complicating the proceedings, interfering with business relationships, and putting financial pressure on entities who had not been brought into the world of patent litigation before.

The rise of these practices has caused both increased risk and increased costs for businesses. Congress responded to these practices in 2011, by passing the AIA, which provided new procedures and tools to help tame many aspects of patent disputes. In particular, *inter partes* review was designed to be a quick, cheap, and more efficient tool to resolve certain questions of patent validity. In recent years, the Supreme Court also has stepped in with far-reaching decisions regarding subject matter eligibility and abstract ideas, curtailing the patentability of business methods and computer programs.[35] Recently, the Supreme Court has heard multiple patent cases virtually every term, therein maintaining a watchful eye on the workings of Congress, the Federal Circuit, and the tribunals whose decisions account for the Federal Circuit's patent docket. The patent system is a product of the three branches of government working together, balanced by judicial review and legislation, and constantly evolving.

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[35] *Alice Corp Pty Ltd v CLS Bank Int'l*, 134 S Ct 2347 (2014); *Mayo Collaborative Servs v Prometheus Labs, Inc*, 132 S Ct 1289 (2012).

3. STRUCTURE AND DEVELOPMENT OF THE UPC

The UPC has been developed as part of a larger package establishing the unitary patent and regulations about applicable translation requirements. The UPC will have exclusive jurisdiction over unitary patents.

Currently, the UPC is envisioned to encompass a Court of First Instance, in various Member States, and a Court of Appeal, situated in Luxembourg.[36] The Court of First Instance will hear cases at the trial level, and will include several court divisions: a central division, local divisions, and regional divisions.[37] The central division will consist of three courts, currently slated to be located in Paris, London, and Munich. Local divisions may be established in individual Member States, at the discretion of the Member State.[38] Regional divisions may be established jointly by Member States who either do not wish to establish a local division or who are not eligible to establish a local division. A Member State may have multiple local divisions and still participate in a regional division.[39] Cases will be assigned to each of the central division courts based on subject matter: the London section will hear human necessities, chemistry, and metallurgy cases; the Paris section will hear performing operations, transportation, textiles, paper, fixed constructions, physics, and electricity cases; and the Munich section will hear mechanical engineering, lighting, heating, weapons, and blasting cases.[40]

The UPC will have both legally and technically qualified judges hearing cases, depending on the location of the panel. Legally qualified judges must have the same qualifications that a national judge must have to be appointed in the relevant Member State; typically these qualifications include a legal degree, established legal practice, and some form of prominent legal scholarship.[41] Technically qualified judges, on the other hand, will be experts in a technical field, though they must also have a

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[36] Council of the EU, Agreement on a Unified Patent Court, 11 January 2013, Doc No 16351/12, Article 9.5. The Court of First Instance is designed to have a central division in Paris with sections in London and Munich, as well as local and regional divisions. Article 7 <http://register.consilium.europa.eu/pdf/en/12/st16/st16351.en12.pdf> accessed 10 Oct. 2017.

[37] Ibid.

[38] Council Draft Agreement 16741/11, Draft Agreement on a Unified Patent Court, of 11 November 2011, Annex, art 5(2).

[39] Ibid. art 5(5).

[40] Agreement on a Unified Patent Court, annex II. 2013 OJ (c 175) 1.

[41] *The UPC and Its Judges*, Unified Patent Ct <https://www.unified-patent-court.org/faq/upc-and-its-judges> accessed 7 Oct. 2016.

'proven knowledge of civil law and procedure relevant to patent litigation'.[42] These judges will have responsibility over the technical aspects of the case, including ensuring that all members of the panel understand the relevant technology.[43] Technical judges may have been patent attorneys, patent examiners, or European Patent Office (EPO) Board of Appeals members before their elevation to the bench. The UPC, as currently proposed, requires that the pool of judges includes at least one technically qualified judge for each field of technology.[44]

Panels at all levels of the UPC are required to be multinational. The panels for the local and regional divisions of the Court of First Instance will have three legally qualified judges.[45] Should a local division hear more than fifty cases per year, the panel will be composed of two legally qualified judges from the Member State hosting the division, and one legally qualified judge from another Member State.[46] If a local division hears fewer than fifty cases per year, however, the panel shall be composed of one legally qualified judge from the Member State hosting the division and two legally qualified judges from other Member States.[47] Local and regional division panels may request a fourth judge from the technical pool of judges, at their discretion. Furthermore, when a local or regional division panel exercises its discretion to take a revocation claim, the President of the Court of First Instance must assign a technically qualified judge to that panel.[48] The President of the Court of First Instance is responsible for allocating all technically qualified judges.[49] Central division panels will be composed of two legally qualified judges and one technically qualified judge.[50] Judges will be permitted to work full-time or part-time. Part-time judges may work in other professions, provided their outside work does not create a conflict of interest.[51]

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42 Ibid.
43 Ibid.
44 Ibid.
45 For a discussion of the composition of UPC panels, see Clement Salung Petersen et al., 'The Unified Patent Court (UPC) in Action: How Will the Design of the UPC Affect Patent Law?', in Rosa Maria Ballardini, Marcus Norrgård and Niklas Bruun (eds), *Transitions in European Patent Law: Influences of the Unitary Patent Package* (Alphen aan den Rijn: Kluwer 2015).
46 Ibid.
47 Ibid.
48 Ibid.
49 Ibid.
50 Ibid.
51 Ibid.

The UPC will have exclusive jurisdiction to hear most actions related to unitary patents, including: (a) actions for actual or threatened infringements of patents and supplementary protection certificates and related defenses, including counterclaims concerning licenses; (b) actions for declarations of non-infringement of patents and supplementary protection certificates; (c) actions for provisional and protective measures and injunctions; (d) actions for revocation of patents and for declaration of invalidity of supplementary protection certificates; (e) counterclaims for revocation of patents and for declaration of invalidity of supplementary protection certificates; (f) actions for damages or compensation derived from the provisional protection conferred by a published European patent application; (g) actions relating to the use of the invention prior to the granting of the patent or to the right based on prior use of the invention; (h) actions for compensation for licenses on the basis of Article 8 of Regulation (EU) No 1257/2012; and (i) actions concerning decisions of the EPO in carrying out the tasks referred to in Article 9 of Regulation (EU) No 1257/2012.[52] The UPC will also be empowered to take provisional and protective measures, and to issue injunctions where appropriate.[53] Finally, the UPC will serve as an overseeing body for EPO decisions related to unitary patents, and will have the authority to overrule EPO decisions on patent validity.

Article 32(2) establishes that national courts will remain competent to hear actions related to patents and supplementary protection certificates that do not come within the exclusive competence of the UPC.[54] But in practice, the list of actions over which the UPC has exclusive jurisdiction covers basically all suits requiring legal analysis of a unitary patent, so national courts will rarely hear patent-based controversies, except over their national patents. The UPC will not have jurisdiction over other claims arising from patent disputes, such as contractual and antitrust counterclaims.[55]

At the trial level, the central division will exclusively oversee non-infringement declaratory judgments, revocation claims, and appeals of EPO decisions.[56] Local and regional divisions will hear all other actions within the UPC's jurisdiction.[57] If a defendant raises a revocation counterclaim before a local or regional division, in its discretion the court

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[52] Agreement on a Unified Patent Court, art 32, 2013 OJ (c 175) 1.
[53] Ibid.
[54] Ibid.
[55] Ibid.
[56] Ibid. arts 32–3.
[57] Ibid.

can: (1) refer the counterclaim to the central division while retaining the infringement claim; (2) refer the entire case to the central division, if the parties consent; or (3) proceed with the infringement claim and revocation counterclaim.[58] Should a patentee file an infringement suit while a revocation action is pending before the central division, the local or regional division hearing the infringement claim will be able to exercise the same discretion outlined above.

One of the goals of the UPC is to develop a body of unified patent law across the EU, but this goal will take time to achieve. The UPC's legal operation will be governed by the UPC Agreement and the UPC Rules of Procedure. Under the UPC framework, an administrative committee will be empowered to suggest revisions to the UPC Agreement and UPC Rules of Procedure to improve the functioning of the court. Any amendment of the UPC Agreement will, however, require unanimity among the contracting states. Changing future UPC case law by amending the UPC Agreement will thus be extremely difficult, but changing procedural practices may be far easier.

The UPC Agreement outlines the sources of law upon which the UPC will be permitted to base its decisions: EU law, the UPC Agreement itself, the Convention on the Grant of European Patents of 5 October 1973, other international agreements applicable to patents and binding on all Contracting Member States, and national law.[59] Where the UPC bases a decision on national law, including in some situations where the UPC may use the national law of a non-Contracting State, the UPC Agreement requires that the applicable law shall be determined: (a) by directly applicable provisions of EU law containing private international law rules; (b) in the absence of directly applicable provisions of EU law or where the latter do not apply, by international instruments containing private international law rules; or (c) in the absence of provisions covered by points (a) and (b), by national provisions on private international law as determined by the UPC.[60] Under these rules, the UPC will be able to develop a body of case law within the confines of the already existing laws outlined in the UPC Agreement and the procedures described in the UPC Rules of Procedure.

The UPC will have authority to refer questions of EU law requiring interpretation to the Court of Justice of the European Union (CJEU) for a

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[58] Ibid.
[59] Ibid. art 24(1).
[60] Ibid. art 24.

preliminary ruling.[61] But, as we discuss in further detail below, the drafters of the UPC Agreement and regulations attempted to minimize the need to involve the CJEU due at least in part to concerns about potential delays in rulings of the CJEU, as well as concerns that the CJEU may lack the requisite experience or precedent in patent law.[62]

The UPC Agreement outlines a transitional period of 7 years after the date on which the UPC Agreement becomes effective, extendable up to 14 years, during which an action for infringement, revocation of a European patent, or a declaration of validity of a supplementary protection certificate may still be brought before national courts or other competent national authorities.[63]

Litigants may appeal decisions of the Court of First Instance to the Court of Appeal. The panel of judges hearing appeals will be comprised of three legally qualified judges and two technically qualified judges. The Court of Appeal will be chaired by a legally qualified judge.[64] Appeals from the Court of First Instance may be based on points of law and matters of fact.[65]

With the Netherlands' ratification of the UPC Agreement on 14 September 2016, eleven countries have now ratified the UPC Agreement.[66] The Agreement requires ratification by thirteen countries; Germany, the United Kingdom, and France must ratify for the UPC Agreement to take effect.[67] France has already ratified the UPC Agreement, and Germany may do so shortly.[68] But the United Kingdom's vote on 23 June 2016 to exit the EU leaves the future of the UPC unclear. Numerous commentators have speculated on whether the United Kingdom can in fact still join the UPC, given that the UPC relies on EU law.[69]

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[61] Ibid. art 38.

[62] Ibid.

[63] Ibid. art 83(1).

[64] Ibid.

[65] Ibid. art 73(3).

[66] *Agreement on a Unified Patent Court: Ratification Details*, European Council: Council of the European Union <http://www.consilium.europa.eu/en/documents-publications/agreements-conventions/agreement/?aid=2013001> accessed 7 Oct. 2016.

[67] Ibid.

[68] Ibid.

[69] For example, H Lovells, *The Future of the UPC after Brexit* <http://www.theunitarypatent.com/the-unitary-patent-regulation-and-upc-agreement-after-brexit> accessed 7 Oct. 2016. Questions about the impact of the Brexit vote in the United Kingdom or the structure or future of the UPC are beyond the scope of this chapter.

SUNET CENTRE FOR LAW AND SOCIETY

4. LESSONS TO SHARE

We believe the American judicial experience may provide valuable guidance in a number of areas relevant to the UPC's operation. We examine three such areas in this chapter. First, we note that uniformity, forum selection, and oversight issues may arise as consequences of the UPC's proposed structure. We provide insights that may be useful to the UPC from the American system's experiences with these issues. Second, we review the UPC's planned specialist nature, discuss the American system's experiences in developing diversity in the patent judiciary, and review ways in which the UPC may develop collegial benches. Third, we note that the UPC's cost structure may lead to challenging incentives for the court, and we examine ways in which the UPC can achieve its goals given its fee-based structure.

4.1 Structural Considerations

We first examine conclusions that can be drawn from the structure of the American judicial system, and determine how these lessons may be applied to the predicted structure and function of the UPC.

4.1.1 Uniformity

One of the goals of the UPC is to produce uniformity across European patent law. A review of the complex European patent litigation system is beyond the scope of this chapter, but numerous other commentators have discussed the potential benefits of uniformity for litigants in Europe.[70] Although the UPC is not structured in the same fashion as are the American courts that decide issues of patent law, many of the lessons we have learned may be useful to the UPC.

As we discussed above, the purpose of the Federal Circuit was to bring uniformity to the American patent system. But the uniformity Congress intended was uniformity born of the Court's adjudicative function. By its very existence, the Federal Circuit has gone a long way toward achieving the congressional goals that led to its creation—once declared not invalid by a Federal Circuit judgment, a patent retains that status on a nationwide basis unless the Supreme Court steps in to alter the Federal Circuit judgment. And, if a given product infringes a patent claim in one state, it

[70] See, for example, G Quinn, *Toward a More Favorable Patent System: European Patent Reform*, IPWatchdog (3 Dec. 2014) <http://www.ipwatchdog.com/2014/12/03/toward-a-more-favorable-patent-system-european-patent-reform/id=52425/> accessed 10 Oct. 2017.

infringes in them all. Once legal interpretations of congressional directives relating to patents, the PTO, or the ITC occur at the Federal Circuit, those legal guidelines govern all patent actions, barring Supreme Court disagreement.

But Congress did not provide the Federal Circuit with wide latitude to decide policy matters, such as whether the patent system should promote innovation, or competition, or access to lower cost medical supplies, or any other policy goal. Congress instead charged the Federal Circuit with applying the laws Congress has written, based on the policy choices Congress has made. This point is important, because it helps explain both the Supreme Court's response to the Federal Circuit's early jurisprudence and the limits on the Federal Circuit's ability to respond to the challenges posed by the changing nature of IP litigation over the years.

To better understand how the Federal Circuit and the lower courts charged with analyzing patents work within the American system, we must take a step back and examine how the judiciary operates within the larger framework of the American system of government.

As the Supreme Court has explained on a number of occasions, the desire to provide for an independent judiciary grew out of the abuses to which the colonists were subjected, both by the king and by early legislators. The king made judges subject to his will by making their tenures in office and their salaries subject to him only, and legislators attacked judicial officers for their decision making. In both instances, judicial officers were prone to act at the will of either the king or the legislators, and the colonists realized that they did not have an independent source to call upon when there was overreaching by those branches of government.[71]

The Framers focused on ensuring that there was an independent judiciary, an independent third branch of government, enshrined in the Constitution. They wanted to make sure that the Constitution was designed so that the judiciary might 'promote that independence of action and judgment which is essential to the maintenance of the guaranties, limitations, and pervading principles of the Constitution'.[72] An independent judiciary is the very cornerstone of the freedoms guaranteed by the Constitution. As the Supreme Court said in *Evans v Gore*, '[t]he articles which limit the powers of the legislative and executive branches of the government, and those which provide safeguards for the protection of

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[71] See *Stern v Marshall*, 564 US 462, 483–4 (2011) (quoting The Declaration of Independence, para. 11).

[72] See *Evans v Gore*, 253 US 245, 253 (1920), overruled on other grounds by *United States v Hatter*, 532 US 557 (2001).

the citizen in his person and property, would be of little value without a judiciary to uphold and maintain them'.[73] The Framers wanted judges to decide the cases before them without fear of interference or retaliation from the other branches of government. The Framers believed that only by protecting the judiciary from the transgressions of the other branches of the government could the Constitution's guarantees be protected. As Alexander Hamilton said, if the independence of the judiciary is destroyed, 'the Constitution is gone; it is a dead letter; it is a vapor which the breath of faction, in a moment, may dissipate'.[74]

In establishing a system of divided powers, the Framers found it essential that the 'judiciary remain truly distinct from both the legislature and the executive, and thus designed Article III to impose certain basic limitations that the other branches of government may not transgress'.[75] Among the transgressions into the functions of the judiciary the Framers sought to avoid were the ability to dictate judicial decision making or to retaliate against judicial officers for their decision making. That is why judges in the federal system are given lifetime tenure and why the Compensation Clause prohibits any decrease in judicial salaries during a judge's service.

Congress charged the judiciary with deciding cases based on the law it has written, and as the passage of the AIA demonstrates, continues to write and revise as it sees fit. The Supreme Court has confirmed this view of the Federal Circuit's role in patent jurisprudence in America.[76] It is the duty of the judiciary to create consistency in the law by correctly applying the law to the cases before it. It is not the job of the judiciary, at least in the American system, to make policy decisions about how to best foster innovation, or to apply legal principles because these principles would, in judges' views, best foster innovation.

Although the Constitution assigns Congress the power to create inferior courts and confer jurisdiction on them, once created, those courts

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[73] Ibid. 258.

[74] The Federalist No 79 (Alexander Hamilton). A copy of Federalist No. 79 is available at the following website: <http://avalon.law.yale.edu/18th_century/fed79.asp> accessed 16 May 2018.

[75] See *Stern*, 564 US at 483 (citing *Nixon v Adm'r of Gen Servs*, 433 US 425, 443 (1977)).

[76] See, for example, *Gunn v Minton*, 133 S Ct 1059, 1064, 1068 (2013); *MedImmune, Inc v Genentech, Inc*, 549 US 118, 122, 131, 132 n11 (2007); *eBay Inc v MercExchange, LLC*, 547 US 388, 393–4 (2006); *Holmes Grp, Inc v Vornado Air Circulation Sys, Inc*, 535 US 826 (2002); *Festo Corp v Shoketsu Kinzoku Kogyo Kabushiki Co*, 535 US 722 (2002).

have the inherent power to promulgate rules of practice and procedure, as long as such rules are not in contravention of substantive law. It is the Supreme Court which has the authority to change the rules that govern the litigation process. The Federal Rules of Civil Procedure, Evidence, and Criminal Procedure are all within the ambit and the authority of the Supreme Court, and only the Supreme Court. In fact, the Rules Enabling Act of 1934 provides that '[a]ll laws in conflict with such rules shall be of no further force or effect after such rules have taken effect'.[77] This is a structure that has served litigants and other parties well, given its longstanding nature and its implementation by thoughtful people throughout the judiciary.

While questions of process and procedure are largely within the ambits of the courts, for the reasons explained above, no court is free to formulate legal policy, except at the margins; instead, courts apply the law as stated by Congress.[78] This is another key structural limitation imposed by our tripartite system of government. The UPC is not designed to have the same structural limitations that limit both the district courts and Courts of Appeals in the American system. The UPC, thus, may have more power and freedom to dictate policy matters without interference from the CJEU or control from other branches of the EU or national governments. Although the UPC ostensibly serves the interests of the EU, the EU states are not part of a federal system like the United States. Assertions that the UPC will seek to serve the interests of 'one people' may be overstated.[79] The UPC Agreement will be difficult to amend, as amendments will require unanimity among Member States.

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[77] 28 USC § 2072.

[78] We do not mean to overstate this point. Every time a court faces an ambiguous statute, it must interpret it according to its assessment of what works the least violence to the underlying purpose or 'policy' of the statute. Because judges are human, when they attempt to assess what Congress intended with a governing statute, they naturally will favor the resolution that makes the most sense. Every time a court faces a question of first impression, it has the chance, and some would say the obligation, to select an answer that advances some policy that has not yet become law. Some might call it 'policy' every time a court concludes that a legislature had no rational basis for the rule it enacted. And, on questions of constitutional law, courts often base their decisions—guided by precedent, to be sure—on an assessment of whether the conduct or restriction before it unduly 'chills' the exercise of constitutional rights.

[79] D Xenos, 'The European Unified Patent Court: Assessment and Implications of the Federalisation of the Patent System in Europe' (2013) 10 SCRIPTed 246, 253.

The UPC, thus, should be free to develop patent law in accordance with its own chosen policy objectives, with little risk of subsequent legislative correction.

Free from legislative restraints, the UPC likely will have more freedom than the courts of the United States to develop the law according to the policy rationales it favors, rather than just to apply existing law to the cases before it. In particular, the UPC undoubtedly will grapple with which underlying policies it believes will promote innovation, and will have the freedom to implement those policies. It is unclear from where the UPC will draw these rationales, however. Will local division courts draw these policies from the nations in which they sit, particularly in nations such as Germany and France, where local division panels are likely to be staffed with a majority of judges of the same nationality? Or, will there be an effort to promote a pan-European policy for innovation and development?[80] It will be a challenge to formulate economic policies that treat all Member States equally, given national traditions and the different distributions of industries and, thus, cases throughout the UPC system.[81]

As European patent litigation increasingly falls under the auspices of the UPC, uniformity may be achieved. In the short term, however, achieving uniformity will come slowly. The UPC Agreement provides for a transitional period, in which infringement and revocation actions 'may still be brought before national courts'.[82] Litigants will be permitted to 'opt out' of the UPC during this period and pursue their claims before national courts. This opt out process likely will slow the trend toward uniformity of European patent jurisprudence.[83] The UPC will continue to grapple with the influence of national patent laws on its jurisprudence, since the UPC Agreement permits the use of national laws as one of the sets of laws courts may consider, depending on the location of the court at issue.

It seems likely, moreover, that the UPC will develop its own common law over time, simply as a function of the cases it hears. The development of this common law will be subject to little restraint by EU or national legislative bodies. In the process of filling the gaps left by laws of the Member States or attempting to reconsider differences in those laws, the UPC may, and likely will, draw on those policy rationales it

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[80] Ibid. at 254.

[81] Ibid. at 253.

[82] Agreement on a Unified Patent Court, art 83(1), 2013 OJ (c 175) 1.

[83] D Medina, Note, 'How the Unitary Patent Will Fragment European Patent Law' (2013) 47 Ariz St LJ 319, 338.

finds most compelling. Without legislative direction, the UPC's common law may become disconnected from the Member States it serves, but may be more predictable for all.

The UPC Court of Appeal appears to be structured to play the same unifying or harmonizing function that prompted the creation of the Federal Circuit. It remains to be seen how many cases will actually be appealed, however, and low appeal rates may limit the Court of Appeal's ability to harmonize the law, especially in the short term. In particular, the Court of Appeal will take responsibility for interpreting the UPC Rules of Procedure, therein providing guidance to all lower courts on procedural matters.[84] Recent congressional proposals for changes to the handling of patent cases indicate that some stakeholders, and legislators, view the American system for changing procedures as incapable of reacting quickly enough to changing patent litigation trends.[85] The UPC should be able to react to changing litigation trends more rapidly, because it will not need to await administrative developments or the blessing of a superior court. The Court of Appeal is scheduled to meet regularly to hear cases, and thus may be able to discuss and implement new procedures on a regular basis.

Based on the structure established by the UPC Agreement, the UPC will have the power to modify its procedures as it sees fit. Many district courts in the United States have had success managing their caseloads with the help of local patent rules specific to their jurisdictions, and, in many cases, specific to the technologies the district most often encounters. But many of the local patent rules in the American system are designed to deal with discovery issues; under the UPC, discovery will be extremely limited. Review of our case management rules may be of limited value to the UPC, accordingly. The UPC may find it advantageous, however, to establish case management rules that differ among technical disciplines.

As the UPC will be a court common to the Contracting Member States, it may refer requests for preliminary rulings on the interpretation and application of EU law to the CJEU, in accordance with Article 267 of the Treaty on the Functioning of the European Union. But it is unclear whether the UPC will in fact elect to refer such requests to a nominally supervising body. And, the CJEU will not play a supervisory role in any other fashion, meaning that review of trial court UPC decisions may be

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[84] V Veefkind, 'The Unitary Patent Package: One-Stop-Shop or Shopping Mall?' 35 (July 2014) (unpublished LLM dissertation, University of Liverpool).

[85] The Honorable K M O'Malley, Keynote Address at the Intellectual Property Owners Association (IPO) Annual Meeting (17 Sept. 2013).

limited to those that are appealed and decided by the Court of Appeal, and review of Court of Appeal decisions may be nonexistent. That freedom to develop the law without oversight is a far cry from that afforded to inferior courts in the US system, including the Federal Circuit.

With freedom comes responsibility, however. As the Federal Circuit has learned, there are a cacophony of voices and interests continually calling for substantive changes to patent law. But their calls are not uniform. The structural limitations placed on courts in the American system free the Federal Circuit from the temptation of choosing among the various calls for reform, leaving it to decide the individual case before it largely on the basis of existing law. We urge the UPC to exercise caution in the face of the inevitable urging of those who would move the patent system in one direction or the other, weighing the competing concerns and keeping long-term and even otherwise unintended consequences in mind. In the absence of resort to the deliberative process necessary to legislative changes in the law, the UPC will need to develop an internal culture among its courts that assures careful and considered change, with an eye toward its impact on all stakeholders impacted by the IP system.

4.1.2 Forum selection concerns

Commentators agree that the Federal Circuit has eliminated forum shopping between circuits, simply by the redirection of all district court patent appeals to the Federal Circuit.[86] While forum shopping among district courts and between the various patent tribunals still occurs to some extent, circuit-to-circuit forum shopping is gone. The existence of the UPC may similarly help to decrease forum shopping across Europe, by providing a new, potentially more unified, forum for patent litigants.

At least in the early stages, there is the potential for competition between the UPC and national courts during the opt-out period. During this time, litigants will be able to choose the court they believe will be more favorable to their claims. This decision may be influenced, at least in part, by whether a litigant favors the use of a particular nation's law in the subject case. On this issue, the UPC and national courts may wish to draw lessons from the American system's experience, particularly the rise of litigation at the PTAB in lieu of the district courts. Use of the *inter partes* review procedure created by the AIA has become popular in the

[86] See generally R D Swanson 'Implementing the EU Unified Patent Court: Lessons from the Federal Circuit' (2013) 9 BYU Int'l L & Mgmt Rev 169.

United States, at least in part, because the *inter partes* review timeline can be shorter than a district court litigation and can cost significantly less for the party challenging a patent's validity.[87]

The UPC is projecting fast proceedings (1 year to completion), partly due to the specialization of the judges, but also partly due to the limited discovery of documents and oral testimony permitted in the proceedings. The short timeline may raise questions about the quality of the decisions at the UPC, as compared to a national court that may take longer to reach a decision but can base that decision on a more fulsome record. While some litigants may view the speed of the UPC's proceedings as an advantage, others may prefer to litigate in a 'slower', more deliberative court with more discovery. This kind of forum shopping will impede the UPC's ability to unify patent law, at least in the short term.[88] The Court of Appeal and the inferior UPC courts should take care not to favor speed and efficiency to such a degree that the quality of decision making suffers. Claims that the *inter partes* review system in the United States denies parties due process because of the strict limitations it places on decision making are common.[89] The UPC can adopt procedures early on in anticipation of such concerns. Proceedings before the ITC, which move at a fast pace but allow for a substantial presentation of proof, may be a useful model to consider.

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[87] See generally Vishnubhakat et al., *supra* note 11.

[88] Discovery practices differ significantly between district courts and the PTAB. Discovery is broadly available in district courts for any nonprivileged matter that is relevant to any party's claim or defense and proportional to the needs of the case. See Fed R Civ P 26(b); Fed R Civ P 37. Patent litigants routinely serve document requests and interrogatories, take depositions, and conduct third-party discovery. And as we have discussed, this process may occur over a period of several months or years. Before the PTAB, however, the Board must agree to discovery beyond routine required discovery (exhibits cited in a paper, information inconsistent with a position advanced by a party, and cross-examination of the declarants). While parties can also consent to additional discovery beyond these limited forms, they rarely do. A party seeking additional discovery in the absence of consent must show that the requested discovery is in the interests of justice for intellectual property rights, but this burden is quite high. Any discovery at the PTAB must take place within the strict 1-year statutory deadline for AIA trials. 37 CFR § 42.51.

[89] See, for example, Petition for Writ of Certiorari, *Cooper v Lee* (No 15-955), 2016 WL 355184 (21 Jan. 2016), *denied* 11 Oct. 2016; Petition for Writ of Certiorari, *MCM Portfolio LLC v Hewlett-Packard Co* (No 15-1330), 2016 WL 1729988 (29 Apr. 2016), *denied* 11 Oct. 2016.

4.1.3 UPC's oversight of the EPO

The UPC is designed to have a supervisory role over the actions of the EPO, through review of EPO decisions by the Court of First Instance of the UPC. Prior to the UPC, the EPO will have functioned as a fairly independent organization, so the institution of supervision may change the dynamics of how the EPO operates. The EPO currently operates without substantial legislative control and therefore must contend with issues of how to apply economic principles that support the interests of the EU versus national interests, without guidance from another body.[90] It is certainly possible that the UPC will replace the jurisdiction of national judges in the EPO's reexamination processes, and therein enforce more uniform standards across Europe.[91] Given the lack of legislative control the EU and Member States will be able to exercise over the UPC, the UPC's review of decisions from the EPO will be effectively untethered to legislative checks. The UPC's ability to craft and pursue its own policy objectives may be quite powerful, depending on how the UPC elects to exercise its oversight authority.

On this front, the Federal Circuit's experiences with the standard of review of both PTAB and district court decisions may be useful to the UPC. It is unclear what level of deference the UPC will give to EPO decisions on review. It is also unclear what level of deference the Court of Appeal will give to decisions from the central, local, and regional court divisions (or indeed if these standards of review will differ). The UPC Agreement notes that appeals from the Court of First Instance can be based either on points of law or matters of fact.[92] This is notable because, in the American system, deference generally is given to a lower court's findings of fact.

Our recent experiences indicate that establishing different review standards for different portions of the patent lifecycle can hinder uniformity. For example, although both district court judgments and PTAB decisions may be appealed to the Federal Circuit, the Federal Circuit reviews a trial judge's factual findings for clear error, while the PTAB's factual findings only are reviewed for substantial evidence.[93] The Federal Circuit reviews the legal findings of both tribunals *de novo*. These review

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[90] Xenos, *supra* note 79, at 255; see also Jens Schovsbo et al., 'The Unified Patent Court: Pros and Cons of Specialization—Is There a Light at the End of the Tunnel (Vision)' (2015) 46 Int'l Rev Intell Prop & Comp Law 271.

[91] Xenos, *supra* note 79, 256.

[92] Agreement on a Unified Patent Court, art 73, 2013 OJ (c 175) 1.

[93] *In re Gartside*, 203 F.3d 1305, 1316 (Fed Cir 2000); *see also Dickinson v Zurko*, 527 US 150, 153 (1999).

standards make the PTAB a more attractive venue for challenging patent validity, thereby encouraging forum shopping. Issued patents also receive different levels of deference in district court and ITC proceedings than they do in PTAB proceedings. Patents are presumed valid in district court and ITC proceedings, and challengers bear the burden to prove each patent claim invalid by clear and convincing evidence.[94] In PTAB proceedings, conversely, the petitioner must establish that the claims are more likely than not unpatentable, under the preponderance of the evidence standard.[95] Claim construction standards also differ between these tribunals. In district court and at the ITC, patent claims are given their 'ordinary and customary meaning' to a person of ordinary skill in the art at the time of the invention.[96] At the PTAB, unexpired claims are granted their 'broadest reasonable construction in light of the specification of the patent in which it appears'.[97] In some circumstances, the PTAB's construction may be broader than the construction reached under the district court's standard, making the claim more vulnerable to an attack on grounds of anticipation, obviousness, or indefiniteness. Based on the American experience, we encourage the UPC to carefully consider whether employing different standards for its review of decisions from different tribunals will further its goal of unifying European patent law.

4.2 Specialization and Diversity

Although both the UPC and the Federal Circuit are ostensibly 'patent courts', the UPC, as currently designed, has a much narrower focus and greater degree of specialization than its American counterpart. While this specialization can improve efficiency and help bring uniformity to the European patent system, there are some potential drawbacks to such a design. Specialization not only can dampen creative discourse and hinder new ideas, it can limit diversity on the court. Furthermore, the current design may not fully facilitate judicial collegiality, which is a large component of the Federal Circuit's success.

In contrast, the UPC's jurisdiction is designed to be far more specialized than the Federal Circuit's jurisdiction. This fact can be both a blessing—because it helps assure facility with the technical matters the courts will face—and a curse—as explained below.

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[94] 35 USC § 282; *Microsoft Corp v i4i Ltd P'ship*, 131 S Ct 2238, 2242 (2011).

[95] 35 USC § 316(e).

[96] *Phillips v AWH Corp*, 415 F.3d 1303, 1312–13 (Fed Cir 2005).

[97] 37 CFR § 42.100(b).

The Federal Circuit also is not staffed solely by judges who focused their careers on patent law before taking the bench; the judges are a mix of generalists and legal experts with a wide range of experiences. The Federal Circuit judges were not, in large part, chosen for their technological backgrounds or patent and intellectual property experience prior to joining the Federal Circuit. Their varied experiences encourage decision making which we believe fosters a stronger IP system. These include promoting respect for the basic judicial function and uniformity of basic jurisprudential principles, acknowledging principles of federalism and separation of powers, and respecting the need for comity to other courts. This helps the Federal Circuit's IP jurisprudence to integrate into a larger jurisprudence. And American district court judges are, by necessity, generalists—a typical district court judge will contend with issues from disparate areas of law every day. In contrast, the UPC's high degree of specialization, through specialist patent law judges and specialized panels, may encourage decisions that, even if unknowingly, emphasize patent values over other interests.

Some commentators have already posited that UPC judges will be biased towards technology values because of this specialization.[98] There are concerns that UPC judges will be unreceptive to non-technological arguments, such as competition law or ethical concerns. Alternatively, even if UPC judges are receptive to such arguments, they may lack useful experience in such areas and may find it difficult to analyze arguments and policies that generalist courts handle on a regular basis. Over time, therefore, a technology bias may result in a body of case law that may be legally accurate but systemically favors technological interests over non-technological interests. For instance, there are concerns that the UPC may develop a tendency to view patents as inherently valuable and 'ignore or at least downplay other considerations'.[99]

These concerns are magnified as IP is increasingly implicated in other arenas. Patent infringement does not happen in a vacuum; patent issues routinely intersect with contract and property law questions, issues with which UPC judges may struggle. European and international trade law, human rights law, and even laws of market regulation and antitrust are all relevant for patent protection, and require expertise beyond that of a patent or technology specialist.[100] District courts and the Federal Circuit

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[98] See generally Schovsbo et al., *supra* note 90.

[99] Ibid.

[100] Hanns Ullrich 'The European Patent and Its Courts: An Uncertain Prospect and an Unfinished Agenda' (2015) 46 Int'l Rev Intell Prop & Comp L 1.

are equipped with the tools and generalist perspectives to orient patent law within a broader legal landscape, but the UPC may be challenged to do the same. PTAB judges are admittedly specialists, but their realm of impact is highly regulated and narrowly focused, limited to the validity of one patent claim at a time, on only limited grounds of invalidity, through largely non-precedential opinions. And their decisions remain subject to Federal Circuit and, potentially, Supreme Court review.

With increased specialization also comes an increased risk of homogeneity. The UPC will necessarily face questions regarding diversity and collegiality. To be qualified to serve on the UPC, judges must satisfy fairly rigorous legal and technical expertise requirements, which will likely result in judges being of roughly similar backgrounds and experiences. The composition of each panel also will impact uniformity; although each panel of the Court of First Instance will have a multinational composition, any panel in a division that produces at least fifty cases per year will be composed of two members from the state in which the division sits and one member who is not a national of that state.[101] In practice, therefore, a state that produces a large volume of patent cases, such as Germany, will have greater representation on panels than do other states. And, as more cases are heard and more opinions are issued, that state will have a greater voice, thus impeding diversity and participation by states with fewer patent disputes. Such representation on the panels by certain Member States could also result in subtle biases, such as a preference for technologies common in that region.

In contrast, the Federal Circuit consists of a pool of judges from a wide variety of backgrounds. Three judges are selected at random to sit on a panel, without consideration of relative strengths or experience in a particular area. This system discourages one voice from drowning out others over time. To be sure, the district courts and Federal Circuit have been criticized for not being specialized *enough* to handle complex patent cases, but we view our generalist nature as a plus, not a negative. With experience and the assistance of highly trained law clerks, courts in the United States handle complex scientific questions in many types of cases, patent cases among them.[102]

By working in the same building, moreover, the Federal Circuit judges enjoy a degree of collegiality which the dispersed UPC judges may lack. The Federal Circuit is unique among American circuit courts in that all

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[101] Petersen et al., *supra* note 45, 20.

[102] Courts in the United States entertain complex scientific questions in cases involving toxic torts, medical injuries, product liability, airline disasters, statistical sampling, and criminal forensics, to name a few.

judges work in the same building and must reside within a 50 mile radius of the courthouse. The proximity of the judges and their staffs fosters regular collegial interactions and facilitates a rapid exchange of ideas. In addition, Federal Circuit judges regularly sit by designation on other circuits and at the district court level. In exchange, district court judges also visit the Federal Circuit by designation several times per year. These assignments serve numerous purposes, including educating Federal Circuit judges in other areas of the law and permitting district court judges to gain a better understanding of the Federal Circuit's work. Federal Circuit and district court judges also regularly interact with practitioners through bench and bar events and academic fora. While the district and circuit judges receive personal satisfaction and fulfillment from their interactions with other judges and practitioners, they also learn from those interactions and gain greater perspectives about how trial level tribunals function.

We suggest that the UPC foster and facilitate collegial and close working relationships between its judges. The UPC has already suggested some steps in the right direction, such as having regular meetings of all UPC judges to discuss developments in patent law to encourage consistent application of law, and annual training sessions.[103] If possible, the UPC should also endeavor to expose its judges to other courts and judicial systems. The UPC could also benefit from hosting bench and bar conferences and taking opportunities to interact with practitioners, give speeches and presentations, and discuss the law informally. These outreach efforts not only inform the public about the workings of the court, they keep judges and court staff up to date on developments in the patent world outside of the courtroom. Such perspective is crucial for providing fair, balanced, and just decision making, and the UPC should prioritize such endeavors.

4.3 Potential Incentives Relating to the UPC Fee Structure

We also encourage the UPC to be cognizant of how its fee structure may impact the incentives of its tribunals and litigants. Currently, the UPC is designed to be self-funded by court fees.[104] The UPC will become self-sufficient quickly. The table in the Appendix shows the various types of fees the UPC is expected to charge.

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[103] Petersen et al., *supra* note 45, 8.

[104] *Unified Patent Court (UPC) Cost Considerations* <http://www.dyoung.com/unified-patent-court-upc-cost-considerations> accessed 7 Oct. 2016.

The UPC intends to establish fees that are competitive with, if not cheaper than, national court fees.[105] The UPC may be cheaper, at least in some actions, because the unitary patent's translation requirements are more limited than those currently imposed by the EPO.[106] The UPC may also resolve cases more quickly and with lower costs due to the lack of discovery permitted, as described above, providing an incentive for litigants to choose the UPC as a forum. The UPC may consider that after the enactment of the AIA, many American litigants seeking to invalidate patents have taken advantage of the PTAB's new post-grant proceedings, which in many cases have lower costs and faster resolution than patent actions in district court.[107]

Of importance, the UPC intends to charge one set of fees per action, not per patent asserted. The UPC will charge costs for revocation actions as a flat fee. But the UPC will charge costs for infringement actions based on a sliding scale value-based fee, depending on the valuation of the action. In addition, the UPC currently contemplates a similar fee structure for appeals, also using a sliding scale value-based fee.

We encourage the UPC to be cognizant of some of the incentives that may arise from this fee-based system. For example, the planned valuation process could encourage the UPC to overvalue cases. While that would result in higher fees, it may skew the parties' perspectives and discourage settlement. And, it may encourage the assertion of multiple claims—with attendant increases in litigation costs—where only one or a few claims might otherwise be asserted. The UPC also must remain vigilant to avoid decisions which inadvertently incentivize future appeals in cases that might otherwise not warrant them—in effect, an 'if you build it, they will come' concern. It is possible that more appeals will lead to rapid and

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[105] Ibid.

[106] *Unitary Patent–Frequently Asked Questions*, EPO <https://www.epo.org/law-practice/unitary/faq.html> accessed 8 Oct. 2016. Unitary patents will be treated as European patents for the purposes of filing and prosecution. There will be transitional measures for a period of up to 12 years, during which time the patentee will need to provide a translation of its European patent into one additional language. After the transitional period, Article 3 of Regulation 12600/2012 states that no further translation will be required. The patent system will then rely upon the 'Patent Translate' program, a machine translator that will translate the unitary patent claims.

[107] See, for example, Vishnubhakat et al., *supra* note 11; AIPLA 2015 Report of the Economic Survey. Copies of the AIPLA (American Intellectual Property Law Association) 2015 Report of the Economic Survey may be purchased at <https://www.aipla.org/learningcenter/library/books/econsurvey/2015EconomicSurvey/Pages/default.aspx> accessed 16 May 2018.

more uniform laws across the UPC, due to the potential harmonization effect of decisions that will be applied by lower UPC courts. But that rapid uniformity may come at the cost of disadvantaged litigants who cannot afford to pursue costly appeals.

In addition, the structure of the UPC may encourage increased filings by NPEs in Europe. Since the UPC will issue decisions that will be effective across most of Europe, the economic impact of individual decisions is likely to be much higher than a decision in a single Member State, making the overall risk-based cost of European patent litigation more prohibitive. The UPC may permit bifurcation in certain instances, which will favor NPEs, since they may be able to obtain favorable decisions on infringement claims before validity is considered. And the currently proposed fee structure for the UPC gives fee discounts to small entities, which might encourage nuisance litigation. To be sure, small and academic inventors should be encouraged to innovate, and be given every opportunity to enforce their patents. But, when blanket rules are created, they will need to be applied uniformly, despite their potential to incentivize litigation over patents which ultimately may be undeserving of patent protection.

The fact that the courts in the United States operate without reference to the impact of individual decisions on their operating budget or continued functioning is, in our view, an important aspect of our judicial system. We believe it helps to guard against any result-based biases and to foster greater respect for the judicial process. We encourage the judges of the UPC to be vigilant against any unintentional biases arising from the need for a robust budget to finance a robust patent system.

CONCLUSION

Clearly, the UPC has the potential to harmonize patent law across the European Union. We hope that the experiences of the American patent system can provide valuable lessons for the UPC as it develops its structural and procedural practices in the years to come.

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APPENDIX

Table 15A.1 Proposed fees

Fixed fees	Value-based fees	Other procedures and actions fees
Infringement action	Start at value up to and including €750,000	**Court of First Instance**
Counterclaim for infringement	Cap at value more than €50,000,000	Revocation action
Action for declaration of non-infringement		Counterclaim for revocation
Action for compensation for license of right		Application for provisional measures
Application to determine damages		Action against a decision of the European Patent Office
		Application to preserve evidence
		Application for an order for inspection
		Application for an order to freeze assets
		Filing a protective letter
		Application to prolong the period of a protective letter kept on the register
		Application for rehearing
		Application for re-establishment of rights
		Application to review a case management order
		Application to set aside decision by default
		Court of Appeals
		Appeals from: (a) final decisions of the Court of First Instance or (b) decisions terminating proceedings as regards one of the parties
		Interlocutory appeals
		Application for leave to appeal
		Request for discretionary review
		Application for re-establishment of rights
		Application to review a case management order
		Application to set aside decision by default

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16. The best practice for patent judiciary: lessons from another experiment on specialized adjudication for patent cases in Japan

Toshiko Takenaka

1. INTRODUCTION

In a seminal paper published in 1989 examining the work of the Federal Circuit, Prof. Dreyfuss called the exercise of establishing the U.S. Court of Appeals for the Federal Circuit as an experiment in a system of specialized adjudication.[1] She continues to examine such experiments and works of the Federal Circuit and to publish articles, although her focus shifted from the benefits to the costs of the specialization over the decades.[2] Being inspired by Prof. Dreyfuss, U.S. patent law scholars extensively published critiques of the Federal Circuit as having an unbalanced attitude toward patent cases and urged the government to overhaul the judiciary system for patent enforcement.[3] Many blamed the court's specialized jurisdiction that, in their view, hindered its judges from developing broad viewpoints. After the first two decades of limited involvement since the Federal Circuit's creation, the U.S. Supreme Court

[1] R Cooper Dreyfuss, 'The Federal Circuit: A Case Study in Specialized Courts' (1989) 64 N.Y.U. L. Rev. 1 (hereinafter Dreyfuss, Case Study).

[2] R Cooper Dreyfuss, 'Specialized Adjudication' (1990) B.Y.U. L. Rev. 377; R Cooper Dreyfuss, 'The Federal Circuit: A Continuing Experiment Specialization' (2004) 54 Case W. Res. L. Rev. 769.

[3] *See infra* note 143 *et seq.*

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began to show greater interest in the Federal Circuit's patent law-making through case law by overruling the court's decisions on core patent issues.[4]

On the other side of the Pacific, Japan has been experimenting in specialized adjudication since before World War II. In 2003 Japan undertook a major overhaul of its patent enforcement system and established a centralized patent adjudication system in 2003. Prior to this new system, the Tokyo High Court had already functioned as a quasi-patent specialized appeal court. Nevertheless, the Intellectual Property (IP) High Court of Japan was created on April 1, 2015 to signify Japan's commitment to becoming an intellectual property based nation.[5] The expert committee members examined debates over specialized adjudication in creating the U.S. Federal Circuit as well as academic critiques on the works of the Federal Circuit when they reviewed the government proposal to establish the IP High Court as a court independent from courts of general jurisdiction. To address the possible costs of specialized adjudication, Japan decided to create the court as a semi-independent court while incorporating a mechanism to address concerns over the specialization.

Despite these concerns surrounding specialized adjudication, many countries of the Paris Union have created special courts for enforcement of intellectual property rights.[6] Many of these courts were modeled on the U.S. Federal Circuit as best practice for adjudicating complex legal and technological issues involved in patent disputes. The European Union is expected to follow this trend of IP special courts and create a patent specialized adjudication system for enforcement of European patents with a unitary effect through the Unified Patent Court Agreement (UPCA).[7] Various substantive law aspects of patent enforcement have been harmonized through multilateral and bilateral agreements. In particular, the harmonization policy of the European Patent Convention

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[4] *See infra* note 37.

[5] T Takenaka & I Nakayama, 'Will Intellectual Property Policy Save Japan from Recession? Japan's Basic Intellectual Property Law and Its Implementation through the Strategic Program' (2004) 35 IIC: Int'l Rev. Intell. Prop. & Competition L. 877 (hereinafter Takenaka, Basic IP Law).

[6] Int'l Intellectual Property Inst. & U S Patent & Trademark Office, *Study on Specialized Intellectual Property Courts* (Jan. 25, 2012) <http://iipi.org/wp-content/uploads/2012/05/Study-on-Specialized-IPR-Courts.pdf> accessed October 16, 2017.

[7] Art. 32, Agreement on a Unified Patent Court, OJ EPO 2013, 287 (2013) <http://xepc.eu/node/oj2013-287> accessed October 16, 2017 (Unitary Patent Court Agreement) (hereinafter UPCA).

(EPC) encouraged members to adopt the case law on patentability developed by the European Patent Office (EPO).[8] In contrast, influences from the common law and civil law traditions remain strong with respect to procedural aspects. Major U.S. trade partners, primarily countries in East Asia, adopted a bifurcation system, and thus their patent enforcement systems have differed from the U.S.[9] These Asian countries adopted not only substantive aspects but also procedural aspects of patent law developed by the Federal Circuit when they developed a patent specialized adjudication system. Accordingly, the Federal Circuit has substantially contributed to the worldwide harmonization of patent enforcement and made it easy for U.S. industry to enforce their patents in these Asian countries. Japan is a good example of specialized IP adjudication with a strong influence of the Federal Circuit by blending the best aspects of the common law and civil law traditions. Thus, Japan's experiences with its IP High Court suggest some lessons which might be applicable to European countries' exercise of establishing a specialized adjudication system under the UPCA, which purports to merge common law and civil law traditions for patent enforcement.

This article discusses and compares the U.S. and Japanese systems for adjudicating patent cases with a focus on the U.S. Court of Appeals for the Federal Circuit and the IP High Court of Japan. Next, it discusses the Federal Circuit's contribution to U.S. industry and international patent harmonization. It also examines U.S. commentators' critiques on the Federal Circuit resulting from its specialized adjudication. It further reviews the Federal Circuit's influence on the IP High Court's institutional design, which addresses concerns raised in the critiques. The article concludes with a proposal for best practice in adjudicating patent disputes in the Unified Patent Court system in light of the U.S. and Japanese experiences.

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[8] Convention on the Grant of European Patents (European Patent Convention), Munich, Oct. 5, 1973, 1065 U.N.T.S. 199. For the history of harmonization efforts in Europe, A Plomer, 'A Unitary Patent for a (Dis)United Europe: The Long Shadow of History' (2015) 46 IIC: Int'l Rev. Intell. Prop. & Competition L. 508 <http://eprints.whiterose.ac.uk/89385/1/Plomer%20IIC%20Unitary%20Patent%20%282015%29.pdf> accessed October 16, 2017.

[9] *See infra* note 66.

2. UNITED STATES

2.1 U.S. Judiciary System for Adjudicating Patent Cases

2.1.1 Federal district courts

The U.S. has two court systems: federal and state. The overwhelming majority of patent infringement actions are brought in federal district courts rather than state courts. The U.S. federal courts have limited subject matter jurisdiction and require a party to establish a constitutional basis for the court's jurisdiction. Patentees can easily establish a basis because a federal statute provides original and exclusive jurisdiction over all suits arising under any Act of Congress relating to patents.[10] However, not all patent-related disputes arise under the Patent Act. Disputes involving patent licensing and assignment arise under state contract law, and in such cases parties must resolve disputes in a state court.[11]

The U.S. federal district courts are courts of first instance and trial courts that have jurisdiction to hear any type of civil or criminal cases as long as such cases fall into the scope of subject matter prescribed by Congress.[12] There are ninety-four federal judicial districts, with at least one district court located in each. Patentees can choose any court to file a patent infringement action among the district courts that meet the personal jurisdiction and venue requirements.[13] Only district courts can take evidence and find facts either by a jury trial or by a bench trial. Any additional evidence is not admitted in appeal courts.

Non-U.S. patent professionals are surprised to find that U.S. district court judges are not well informed or trained in patent law and the patent office examination practice although they have to decide complex patent law issues. U.S. federal judges are appointed for a life term to a specific court and thus are not transferred to any other courts. Very few judges have science backgrounds although judges in patent-heavy districts hire law clerks who have science backgrounds. Judges who adjudicate patent cases at district courts include magistrate judges who are appointed by a majority vote of the active district court.[14] With the consent of the parties,

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[10] 28 USC § 1338 (2012).

[11] D Shelby Chisum, 'The Allocation of Jurisdiction between State and Federal Courts in Patent Litigation' (1971) 46 Wash. L. Rev. 633, 636.

[12] 28 USC §§ 1331–1332 (2012).

[13] *Dickinson v Zurko*, 527 U S 150, 119 S. Ct. 1816, 144 L. Ed. 2d 143, 50 U.S.P.Q. 2d 1930 (1999).

[14] 28 USC § 631(b)(5). For more information about magistrate judges, see Magistrate Judges Division, Office of Judges Programs, Administrative Office of

magistrate judges can adjudicate civil cases, such as patent infringement cases, in the same manner as district court judges.[15] Some magistrate judges have science backgrounds and are especially appointed to assist federal judges in patent cases. District court judges may also appoint special masters to assist the judges in patent cases.[16] Special masters appointed for patent cases are almost exclusively attorneys with a high level of training and education in patent law, and are responsible for overseeing the discovery process and conducting claim construction.[17] Many masters are partners of large firms. They have a significant influence on the outcomes of patent litigation because their reports and recommendations are almost always adopted by the court without any modifications.

The unique aspect of the U.S. patent enforcement is the jury trial: a group of laypersons without any science background or even higher education can decide infringement. In the United States, the right to trial by jury is guaranteed under the Constitution.[18] Juries have participated in patent cases since the enactment of the first Patent Act in 1970, but their participation was marginal until patentees began increasingly requesting jury trials in the 1990s.[19] In the 2000s and 2010s, more than 60 percent of patent cases were tried by juries.[20] The number of jurors in civil cases must be between six and twelve.[21] Although a jury's role is limited to fact-finding, such fact-finding includes the determination of infringement and calculation of damages, and judges depend on such fact-finding to

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the U.S. Courts, Judges Info. Ser. No. 2, *The Selection, Appointment, and Reappointment of United States Magistrate Judges* (2010) <http://www.ksd.uscourts.gov/selection-appointment-reappointment-of-magistrate-judges/> accessed October 16, 2017.

15 28 USC § 631(b)(5).

16 Fed. R. Civ. P. 53(b)(2).

17 For more information about special masters, see Jay P Kesan & Gwendolyn G Ball, *A Study of the Role and Impact of Special Masters in Patent Cases*, Fed. Jud. Center (2009) <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1372366> accessed May 23, 2018.

18 US Const. art. III, § 2; Fed. R. Civ. P. 38.

19 Kimberly A Moore, 'Judges, Juries, and Patent Cases—An Empirical Peek Inside the Black Box' (2000) 99 Mich. L. Rev. 365, 366.

20 PwC, '2014 Patent Litigation Study: As Case Volume Leaps, Damages Continue General Decline', 8 (2014) <https://www.pwc.com/us/en/forensic-services/publications/assets/2014-patent-litigation-study.pdf> accessed October 16, 2017.

21 Fed. R. Civ. P. 48(a).

answer important patent law questions such as novelty and nonobviousness.[22] Patentees favor juries because of statistics which demonstrate a higher patentee success rate and larger damages when cases are tried by juries rather than judges.[23]

In 2011, Congress enacted the Patent Pilot Program Act to direct patent cases and plant variety cases (patent cases) to judges in selected district courts.[24] Judges in the selected district courts who volunteer are designated to participate in the program. When non-designated judges decline to hear patent cases, which are randomly assigned, such cases are then reassigned to designated judges. The term of this program is limited to ten years because it is an experiment to examine whether concentrating patent cases among designated judges improves efficiency by reducing the reversal rate of such cases. During the first two years of the program, one-third of the patent cases were reassigned and concentrated among the designated judges.[25]

Most district courts selected to participate in the program have adopted their own local rules, which may differ with respect to the procedure for conducting discovery and *Markman* hearings.[26] Some indicate concern that these differences encourage forum shopping among the participating

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[22] Ph Signore, 'On the Role of Juries in Patent Litigation' (2001) 83 J. Pat. & Trademark Off. Soc'y 791 (Part 1), 896 (Part 2) <http://www.oblon.com/content/uploads/2015/04/256.pdf> accessed October 16, 2017. For the most current statistics on damages, see PwC, '2016 Patent Litigation Study: Are We at an Inflection Point?' 5 (May 2016). <https://www.pwc.com/us/en/forensic-services/publications/assets/2016-pwc-patent-litigation-study.pdf> accessed October 16, 2017.

[23] Ibid., 8–9.

[24] Patent Pilot Program Act, Pub. L. No. 111-349, 124 Stat. 3674 (2011) <https://www.gpo.gov/fdsys/pkg/PLAW-111publ349/content-detail.html> accessed October 16, 2017. Plant variety rights are exclusive rights given to plant breeders for their new sexually reproduced or tuber propagated plant varieties under Plant Variety Protection Act of 1970 (PVPA), 7 U.S.C. §§ 2321–2582.

[25] R Vogel, 'The Patent Pilot Program: Reassignment Rates and the Effect of Local Patent Rules' (2013) N.Y. Intell. Prop. L. Ass'n Bull. Oct–Nov 13 <http://www.fr.com/files/Uploads/Documents/Vogel.NYIPLABulletin.Pilot-Patent-Program-Reassignment-Rates-and-Effects-of-Local-Rules.OctNov2013.pdf> accessed October 16, 2017.

[26] A *Markman* hearing is a procedure to conduct claim construction. For a discussion of *Markman* hearings, see T Takenaka et al., 'Patent Enforcement in the US, Germany and Japan' (2015) 57 (hereinafter Takenaka, Patent Enforcement).

district courts.[27] The impact of the Pilot Program is not yet clear, and more data is necessary to make an appropriate assessment.

2.1.2 U.S. Court of Appeals for the Federal Circuit

The U.S. Court of Appeals for the Federal Circuit (Federal Circuit) was created in 1982 through the enactment of the Federal Court Improvement Act of 1982.[28] After long debates over the pros and cons of specialized adjudication, Congress decided to give the Federal Circuit exclusive subject matter jurisdiction over appeals arising from a case under the patent laws.[29] As a result, although cases can be filed in the first instance in any district court that meets the personal jurisdiction and venue requirements, all appeals are filed with the Federal Circuit. The Federal Circuit's jurisdiction extends broadly well beyond the exclusive jurisdiction of patent appeals. During the debates over the creation of a patent special court, the patent community was concerned about the possibility that judges who repeatedly hear similar issues from similar groups of parties might develop narrow perspectives and tunnel vision.[30] Reflecting such concern, the Federal Circuit's subject matter jurisdiction includes not only appeals arising under the Patent Act but also appeals from the U.S. Patent and Trademark Office (USPTO) decisions, including cases on trademark, international trade, government contracts, certain money claims against the U.S. government, federal personnel, veterans' benefits, and public safety officers' benefits claims.[31] Only 31 percent of the court's caseload consists of intellectual property cases.[32]

Subject to Senate confirmation, the U.S. President can appoint up to twelve judges for the Federal Circuit.[33] Although only a few of the

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[27] Megan M La Belle, 'The Local Rules of Patent Procedure' (2015) 47 Ariz. St. L.J. 63 <http://scholarship.law.edu/cgi/viewcontent.cgi?article=1917&context=scholar> accessed October 16, 2017.

[28] Pub. L. 97-164, 96 Stat. 25 (relevant provisions codified as amended in scattered sections of 28 USC).

[29] 28 USC § 1295 (2012).

[30] Hearing on S.21 and S.537 Before the Subcomm. on Courts of the S. Comm. on the Judiciary, 97th Cong. 211 (1981) ('The quality of decision-making would suffer as specialized judges become subject to "tunnel vision" seeing the cases in a narrow perspective without the insights stemming from broad exposure to legal problems in a variety of fields.'); Dreyfuss, Case Study, *supra* note 1, at 2.

[31] Ibid.

[32] *Court Jurisdiction*, US Ct. App. Fed. Cir. <http://www.cafc.uscourts.gov/the-court/court-jurisdiction> accessed August 11, 2016.

[33] 28 USC § 44 (2012).

Federal Circuit judges have a science background, all judges are assisted by law clerks, many of whom have a science and patent law background. Because of the concentration of patent cases through exclusive jurisdiction, Federal Circuit judges are well informed about the patent law and patent examination practice.

Cases are heard and decided by a panel comprising three judges. A party may petition for a hearing or rehearing *en banc*, in which event the lower court decision is reviewed by a panel of all active judges.[34] An *en banc* hearing or rehearing is not ordered unless (1) such hearing or rehearing is necessary to secure uniformity of the court's decisions; or (2) the proceedings involve a question of exceptional importance such as an argument to overrule a binding precedent.[35] A grant of a petition for an *en banc* hearing is rare, with less than ten cases per year. Although only the court *en banc* can overrule a binding precedent, a party may argue for the overruling of a binding precedent in the Federal Circuit without petitioning for a hearing *en banc*.[36] The adjudicating panel decide whether to ask all active judges to consider the issue *en banc*. The Federal Circuit may *sua sponte* (i.e., of its own accord) order an appeal to be initially heard or be reheard *en banc* without a petition from either party. Among decisions from the Federal Circuit, a decision resulting from an *en banc* hearing has the highest authority as a precedent.

2.1.3 U.S. Supreme Court

The Supreme Court has the highest authority in the federal system and can freely overrule its own precedents and precedents of intermediate appellate courts. Recently, the U.S. Supreme Court's frequent intervention in the Federal Circuit's patent law-making has attracted a lot of attention from the patent community.[37] During the first three decades

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[34] Fed. R. App. P. 35(a). For a discussion on the *en banc* review in the Federal Courts of Appeals, see A Sadinsky, 'Redefining En Banc Review in the Federal Courts of Appeals' (2014) 82 Fordham L.R. 2001 <http://ir.lawnet.fordham.edu/cgi/viewcontent.cgi?article=4965&context=flr> accessed October 16, 2017.

[35] Fed. R. App. P. 35(a).

[36] Fed. Cir. R. 35(a)(1) <http://www.cafc.uscourts.gov/sites/default/files/rules-of-practice/MASTERFederalCircuitRulesOfPractice-6.6.16.pdf> accessed October 16, 2017.

[37] For example, A J Gajarsa and L P Cogswell, 'The Federal Circuit and the Supreme Court' (2006) 55 Am. U. L. Rev. 821 <http://digitalcommons.wcl.american.edu/cgi/viewcontent.cgi?article=1067&context=aulr> accessed October 16, 2017; John M Golden, 'The Federal Circuit and the D.C. Circuit: Comparative Trials of Two Semi-Specialized Courts' (2010) 78 Geo. Wash. L. Rev. 553

after the creation of the Federal Circuit, the Supreme Court's involvement in patent jurisprudence was limited because the Court seldom granted certiorari to review patent cases in the 1980s, 1990s, and 2000s.[38] In the 2010s, the Court began to take up more patent cases and to overturn Federal Circuit decisions. Because none of the Supreme Court judges has a science background or experience in patent procurement or enforcement and law clerks assisting the judges rarely have a science background or patent training, some worry whether the Court can make reasonable decisions in cases that involve complex technology such as biotechnology.

To assist the justices, different sectors of the patent community submit amicus curiae briefs to assist the Supreme Court justices in understanding the technology and the unique features of patent law.[39] A party can file an amicus brief covering relevant subject matter that is not raised by the parties if the subject matter is of considerable help to the Court.[40] Although the rule requires the parties' consent or court approval to file an amicus brief, the Court grants leaves liberally.[41] Amicus briefs are most frequently filed by companies and industry groups.[42] In decisions by the Supreme Court, amicus briefs submitted by the U.S. government are the most influential on the merits.[43]

<http://www.gwlr.org/wp-content/uploads/2012/08/78-3-Golden1.pdf> accessed October 16, 2017.

[38] D Crouch, *Supreme Court Patent Cases per Decade*, Patently-O (July 30, 2014) <http://patentlyo.com/patent/2014/07/supreme-patent-decade.html> accessed October 16, 2017. For a discussion on the Supreme Court–Federal Circuit relationship, see Mark D Janis, 'Patent Law in the Age of the Invisible Supreme Court' (2001) U. Ill. L. Rev. 387; R Cooper Dreyfuss, 'What the Federal Circuit Can Learn from the Supreme Court–and Vice Versa' (2010) 59 Am. U. L. Rev. 787 <http://digitalcommons.wcl.american.edu/cgi/viewcontent.cgi?article=1015&context=aulr> accessed October 16, 2017.

[39] K J Lynch, 'Best Friends? Supreme Court Law Clerks on Effective Amicus Curiae Briefs' (2004) 20 JL & Pol. 33, 41.

[40] Sup. Ct. R. 37 <http://www.law.cornell.edu/rules/supct/rule_37> accessed October 16, 2017.

[41] R Wm Simpson & M R Vasaly, *The Amicus Brief: How to Be a Good Friend of the Court* (2nd ed., Chicago: ABA Publishing, 2004) 37.

[42] C V Chien, 'Patent Amicus Briefs: What the Courts' Friends Can Teach Us about the Patent System' (2011) 1 U.C. Irvine L. Rev. 397, 412.

[43] Ibid., 427.

2.2 Contributions of the Federal Circuit

The most important contribution the Federal Circuit has made is the enhanced value of U.S. patent by pushing down the invalidity rate while improving the predictability of patent litigation outcomes. The Federal Circuit was created with an aim to develop a uniform body of patent law by removing diverse standards applied by regional courts and the USPTO.[44] Prior to the creation of the Federal Circuit, appeals from the USPTO used to be reviewed by the Court of Customs and Patent Appeals while appeals from district courts were reviewed by the regional federal circuit courts with respect to infringement and validity.[45] The rates at which courts found patents invalid significantly differed from one regional circuit to another, which encouraged forum shopping.[46] Even the same patent was found valid in one circuit while determined to be invalid in others, which had led to unpredictability of patent litigation outcomes until the Supreme Court finally decided on the validity.[47] The Federal Circuit removed this unpredictability and a significant delay in resolving patent disputes.

Moreover, the U.S. courts used to devalue patents by invalidating many patents with multiple arbitrary tests to negate the quality of inventions with respect to claimed inventions in asserted patents.[48] Since the early nineteenth century, lower courts have developed an additional standard beyond novelty: the requirement of a degree of difference between the claimed invention and the prior art to demonstrate the quality of the invention.[49] In the 1850 *Hotchkiss* case, the Supreme Court acknowledged this additional requirement and invalidated the asserted patent,

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[44] See, for example, Commission on Revision of the Federal Court Appellate System – Structure and Internal Procedures: Recommendations for Change, chaired by Senator Roman L Hruska ('Hruska Commission'), 67 F.R.D 195, 220, 370 (June 20, 1975).

[45] Ch A Cotropia, 'Determining Uniformity within the Federal Circuit by Measuring Dissent and En Banc Review' (2010) 43 Loy. L.A. L. Rev. 801, 804–805 (hereinafter Cotropia, Determining Uniformity).

[46] S E Atkinson et al., 'The Economics of a Centralized Judiciary: Uniformity, Forum Shopping, and the Federal Circuit' (2009) 52 J.L. & Econ. 411, 411.

[47] For example, *Graham v John Deere Co. of Kansas City*, 383 U.S. 1 (1966).

[48] D S Chisum, *Chisum on Patents*, § 5.02 (2001); See also Takenaka, Patent Enforcement, *supra* note 26, 8.

[49] For example, *Knight v. Baltimore & O.R. Co.*, 14 F. Cas. 758, 759 (C.C.D. Md. 1840) (No. 7,882); G S Rich, 'Thirty Years of This Judging Business' (1986) 14 AIPLA Q.J. 139.

although the 1832 Patent Act was quiet on any additional requirement beyond the novelty requirement.[50] The negative tests to deny the quality of inventions were vague and highly abstract. The standard for the additional requirement developed through the negative tests was articulated by courts as an expression of 'inventive effort', 'a substantial invention or discovery', 'a creative work in the inventive faculty', 'that impalpable something', and 'something new, unexpected, and exciting'.[51] As the standard became as high as the requirement of a 'flash of creative genius',[52] a Supreme Court justice commented in his dissent that 'the only patent that is valid is one which this Court has not been able to get its hands on'.[53]

The introduction of a statutory requirement of clear claiming under the 1836 Act also encouraged the U.S. courts to strike down patents for indefinite claims and lack of enablement with emphasis on the notice function of patent claims.[54] Passage of the Sherman Act in 1890[55] and the growing distrust of patents as they had become viewed as a kind of monopoly might be another reason for the U.S. courts' hostile attitude towards patents.[56] The invalidity rate at the Supreme Court rose as high as 90 percent (75 percent excluding reissue patents[57]) in 1890. Compared to the Supreme Court, the invalidity rate in circuit courts of appeal decisions was originally relatively low at 50 percent, but began to rise in 1930 and peaked at as high as 80 percent in 1940.[58]

U.S. industry became concerned about the high invalidity rate and legal uncertainty in enforcing patents they had invested in to secure their exclusive rights. In 1952, Congress passed a new Patent Act, which is

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[50] *Hotchkiss v Greenwood*, 52 U.S. (11 How.) 248 (1850).

[51] M J Adelman et al., *Cases and Materials on Patent Law* (1st ed. St. Paul, MN: West Group, 1998) 412.

[52] *Cuno Engineering Corp. v Automatic Devices Corp.*, 314 U.S. 84, 62 S. Ct. 37, 86 L. Ed. 58, 51 U.S.P.Q. 272 (1941).

[53] *Jungersen v Ostby & Barton Co.*, 335 U.S. 560, 69 S. Ct. 269, 93 L. Ed. 235, 80 U.S.P.Q. 32 (1949) (Jackson, J, dissenting).

[54] *O'Reilly v Morse*, 56 U.S. (15 How.) 62, 14 L. Ed. 601, 1853 U.S. LEXIS 273 (1854); *Holland Furniture Co. v Perkins Glue Co.*, 277 U.S. 245, 48 S. Ct. 474, 72 L. Ed. 868, 1928 U.S. LEXIS 686 (1928); *Halliburton Oil Well Cementing Co. v Walker*, 329 U.S. 1, 71 U.S.P.Q. 175 (1946).

[55] Act of July 2, 1890 (Sherman Anti-Trust Act), ch. 647, 26 Stat. 209, 15 U.S.C. §§ 1–7.

[56] H R Mayers, 'The United States Patent System in Historical Perspective' (1959) 3 Pat. Trademark & Copyright J. Res. & Ed. 33, 35.

[57] Ibid., 44.

[58] Ibid., 35.

still in effect. To improve patent validity, the 1952 Act codified the additional requirement of invention as the nonobviousness requirement, with an attempt to eliminate all other judicially developed negative tests of inventions.[59] The Act codified the presumption of validity developed through case law.[60] In spite of these efforts, the invalidity rate in U.S. court decisions remained high even after the enactment of the 1952 Act.[61] The invalidation rate went down to less than 50 percent only after the creation of the Federal Circuit in 1982.[62] The Federal Circuit brought this improvement in patent validity by developing multiple doctrines to overcome invalidity defenses.[63]

The Federal Circuit has eliminated forum shopping at least on the appellate level by developing a uniform patent case law and thus reduced litigation costs. Many scholars agree that the Federal Circuit has fulfilled

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[59] Patent Act of 1952, ch. 950, 66 Stat. 798 (codified as amended at 35 U.S.C. § 103). For the impact of § 103 nonobviouness provision, see E W Kitch, 'Graham v J Deere Co.: New Standards for Patents' (1966) Sup. Ct. Rev. 293.

[60] 35 USC § 282. The Supreme Court introduced the presumption of validity. See also *Imhaeuser v Buerk*, 101 U.S. (11 Otto) 647, 25 L. Ed. 945 (1880).

[61] For a statistical analysis of invalidity rates at US courts, see G K Koenig, *Patent Invalidity: A Statistical and Substantive Analysis* (1974; 2nd ed., New York: Clark Boardman, 1980). A study indicates that the invalidity rate at the circuit appeals courts was 63.6 percent in 1953 and 68.5 percent in 1954. P J Federico, 'Adjudicated Patents' (1948–1954), 38 J. Pat. Off. Soc'y 233 (1956). Another study examining adjudicated patents between 1953 and 1963 indicates that the average invalidity rate was 60.8 percent.

[62] Robert P Merges, 'Commercial Success and Patent Standards: Economic Perspectives on Innovation' (1988) 76 Cal. L. Rev. 805, 821 ('[T]he percentage of patents being held valid five years after the court's creation was about 45 percent, and this level has not changed much in more recent data.'); John R Allison & Mark A Lemley, 'Empirical Evidence on the Validity of Litigated Patents' (1998) 26 Am. Intell. Prop. L. Ass'n Q.J. 185, 205 (finding, for the period 1989–1996, 54 percent of litigated patents valid and 46 percent invalid); D R Dunner et al., 'A Statistical Look at the Federal Circuit's Patent Decisions: 1982-1994' (1995) 5 Fed. Cir. B.J. 151, 154 (where the issue was obviousness, overall validity holdings were about 58 percent).

[63] R W Harris, 'The Emerging Primacy of "Secondary Considerations" as Validity Ammunition: Has the Federal Circuit Gone Too Far?' (1989) 71 J. Pat. & Trademark Off. Soc'y 185; J F Merz & N M Pace, 'Trends in Patent Litigation: The Apparent Influence of Strengthened Patents Attributable to the Court of Appeals for the Federal Circuit' (1994) 76 J. Pat & Trademark Off. Soc'y 579.

the mission for which it was established.[64] An empirical study indicates a high affirmance rate of nonobviousness decisions which supports the improvement in patent litigation outcome predictability because of the doctrinal basis in examining obviousness developed by the Federal Circuit case law.[65]

The Federal Circuit contributed to American industry by enhancing the U.S. patent law's influence on its trade partners, which makes it easy for U.S. industry to conduct business in foreign countries. In East Asia, German influence on patent enforcement procedures has been dominant. Many of these countries have adopted the principle of bifurcation from Germany and allocated between patent offices and courts separate jurisdiction over adjudication of patent validity and infringement between patent offices and courts.[66] The German bifurcation system is known for its pro-patent bias because of the time lags between the infringement and nullity proceedings.[67] U.S. high tech industries joined their competitors worldwide and raised serious concerns over possible abuse of the bifurcation system by patent assertion entities in the UPC system.[68] The Federal Circuit's influence led to removal of the bifurcation system adopted in Asian countries, which have their own flaws, to avoid enforcement of invalid patents. As exemplified by Japan's IP High Court, these Asian countries removed their bifurcation systems, and adopted

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[64] R Cooper Dreyfuss, 'In Search of Institutional Identity: The Federal Circuit Comes of Age' (2008) 23 Berkeley Tech. L. J. 787, 788; R Cooper Dreyfuss, 'What the Federal Circuit Can Learn from the Supreme Court–and Vice Versa' (2010) 59 Am. U. L. Rev. 787; D R Dunner, 'A Retrospective of the Federal Circuit's First 25 Years' (2008) 17 Fed. Cir. B.J. 127; R H Seamon, 'The Provenance of the Federal Courts Improvement Act of 1982' (2003) 71 Geo. Wash. L. Rev. 543, 545; R Linn, 'The Future Role of the United States Court of Appeals for the Federal Circuit Now That it has Turned' (2004) 21, 53 Am. U. L. Rev. 731, 732, 737.

[65] L Petherbridge & R P Wagner, 'The Federal Circuit and Patentability: An Empirical Assessment of the Law of Obviousness' (2007) 85 Tex. L. Rev. 2051.

[66] For more discussions about the bifurcation system in German patent enforcement, see Takenaka, Patent Enforcement, *supra* note 26, 213.

[67] K Cremers et al., 'Invalid but Infringed? An Analysis of Germany's Bifurcated Patent Litigation System' ZEW: Center for European Economic Research Discussion Paper, No. 14-072, 8 (hereinafter Cremers, Invalid but Infringed).

[68] D Hakim, 'Tech Giants Fear Spread of Patent Wars to Europe', *The New York Times* (September 25, 2013) <http://www.nytimes.com/2013/09/26/technology/tech-giants-fear-spread-of-patent-wars-to-europe.html?pagewanted=all&_r=1> accessed October 16, 2017.

procedural aspects of U.S. patent enforcement when they created a special court for adjudicating patent disputes.[69]

3. IP HIGH COURT OF JAPAN

3.1 Japanese Judiciary System for Adjudicating Patent Cases

3.1.1 Removal of the bifurcation system

Japan's patent adjudication system demonstrates strong influence from the Federal Circuit: it has shifted from the German-style bifurcation system to the U.S.-style double track system.[70] Japan long used a bifurcated system which prevented defendants from challenging validity at infringement proceedings.[71] This system was rooted in the separation of powers between the civil courts and administrative offices such as the Japan Patent Office (JPO). Early Supreme Court cases supported the view that civil courts should refrain from deciding patent validity in infringement litigation, giving the JPO exclusive jurisdiction over deciding patent validity.[72] In patent infringement litigation, accused infringers were unable to raise the defense of invalidity and were thus required to start separate invalidation proceedings with the JPO concurrently with litigation. When an accused infringer started invalidation proceedings, whether to stay litigation was at the discretion of the court. Granting a stay could result in a delay in dispute resolution, while denying a stay could result in the enforcement of an invalid patent if the court later so

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[69] For example, Korea eliminated its bifurcation system in 2016. Mi Son, 'Korea: New Centralised Infringement Courts', Managing Intellectual Property (January 26, 2016) <http://www.managingip.com/Article/3521767/Korea-New-centralised-infringement-courts.html> accessed October 16, 2017.

[70] T Takenaka, 'Merging Civil and Common Law Traditions in the Patent Validity Challenge System: Japanese Experiences' in H P Götting & C Schlüter (eds) *Nourriture de l'esprit: Festchrift für Dieter Strauder zum 70* (University of Washington School of Law Research Paper 2011) 271.

[71] The JPO originally had exclusive jurisdiction over both validity and infringement; see Takenaka, Patent Enforcement, *supra* note 26, 38; R Murabayashi, *Tokkyohō 104-jo no 3 no Seitei to Sono Kaishaku* [Legislation of Patent Law Article 104ter and Its Interpretation], 63 Patento 111 (2010).

[72] *Daishin'in [Great Court of Cassation.] Sept. 15, 1904, v. 10 Daishin'in Keiji Hanketsuroku [Daihan Keiroku]* 1679 (Japan); for a general discussion of the validity challenge and patent infringement litigation, see Naoki Koizumi and Institute of Intellectual Property (eds), *Tokkyo no Yūkōsei to Shin-gai Soshō* [*Validity of Patent and Infringement Litigation*] 5–7 (Tokyo: Keizai Sangyō Chōsakai Shuppanbu, 2001).

found as frequently occurs in the German bifurcation.[73] Without the power to declare patents invalid, Japanese courts developed a practice of interpreting a claim by reading limitations from the specification into the claim in a way that excluded the accused embodiment from the scope of the patent.[74] This obscure practice of claim interpretation enabled Japanese courts to avoid enforcement of an invalid patent without any significant delay in dispute resolution.

In 2000, the Supreme Court of Japan decided *Kilby*, a case that established the ability of Japanese courts to examine patent validity in infringement litigation.[75] If a court finds a patent to be obviously invalid, it now has the power to not enforce the patent as an abuse of right, making it unnecessary for accused infringers to start separate proceedings at the JPO to challenge the patent while in litigation. Despite these changes, German influence remains strong because courts still do not have power to declare a patent invalid, and can only refuse to enforce a patent that they find obviously invalid.[76] While a court's refusal to enforce a patent does not per se invalidate that patent, it is functionally equivalent to a declaration of its invalidity because an unenforced patent cannot provide any remedy for infringement.[77] A patent remains unenforceable unless all grounds of invalidity are eliminated by limitation procedures. The *Kilby* decision essentially moved the Japanese validity challenge system to be more in line with the U.S. patent system, making a defense of invalidity admissible in patent infringement litigation.[78]

Japanese patent law was revised in 2004 to grant courts the power to examine patent validity, essentially codifying the *Kilby* decision.[79] This

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[73] For a discussion on the German bifurcation system, see *supra* note 26, 213 *et seq.*

[74] T Takenaka, 'Interpreting Patent Claims: The United States, Germany and Japan' (1995) 17 IIC Studies 211; T Obuchi, 'Two Major and Long-Lasting Patent Law Issues in Japan' in Wolrad Prinz zu Waldeck und Pyrmont et al. (eds), *Patents and Technological Progress in a Globalized World* (Heidelberg: Springer, 2009) 431(hereinafter Obuchi, Two Major Issues).

[75] Saikō Saibansho [Sup. Ct.] 11 April 2000, Hei 10 (o才) no. 364, 54 Saikō Saibansho Minji Hanreishū [Minshū] 1368 (Japan) (*Kilby* decision).

[76] Obuchi, Two Major Issues, *supra* note 74, 434.

[77] However, a judgment upholding a defense of invalidity binds only parties and their privy.

[78] T Takenaka, 'Harmonizing the Japanese Patent System with Its U.S. Counterpart through Judge-Made Law: Interaction between Japanese and U.S. Case Law Developments' (1998)7 Pac. Rim L. & Pol'y J. 249.

[79] Saibanshohōtō no Ichibu wo Kaisei-suru Hōritsu [Law for Partial Amendment of the Court Act and other laws], Law No. 120 of 2004 (Japan).

legislation reflects a demand on the part of Japanese industry for a prompt resolution of patent litigation and validity disputes.[80] The newly introduced Article 104ter (104-3) gives courts the power to refuse to enforce a patent if the court finds that the patent would likely be invalidated through procedures at the JPO.[81] This codification of the *Kilby* doctrine makes it clear that courts have full power to examine all grounds of invalidity in patent litigation. However, Article 104-3 does not contain the 'obviousness' standard that was seen in the *Kilby* opinion, replacing it with a standard that relies on the court's judgment as to whether the patent should be invalidated. On the face of it, the 2004 revision expanded the scope of the *Kilby* doctrine, but experts view Article 104-3 as simply a codification of the *Kilby* doctrine,[82] or replacement of the obviousness requirement with the requirement that the JPO board should find the patent invalid if examined in invalidation procedures.[83] Regardless of the intent of the legislature, accused infringers have begun relying more frequently on the invalidity defense in patent litigation, which has led to higher rates of patent invalidation by Japanese courts.[84] This experience suggests that German judges may also find patents invalid at a higher rate once they have power to do so.

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[80] M Kondo, *Chiteki Zaisan Kōtō Saibansho Secchihō (Heisei 16 nen hōritsu 119 go) oyobi Saibanshohōtō no Ichibu wo Kaisei-suru Hōritsu (Heisei 16 nen hōritsu 120 go) ni tsuite* [Regarding Act for Establishment of the Intellectual Property High Court (Law No. 119 of 2004) and Law for Partial Amendment of the Court Act and other laws (Law No. 120 of 2004)], 2 Chizai Prism 1 (2004).

[81] Tokkyohō [Patent Act], art. 104ter (104-3) (Japan).

[82] Obuchi, Two Major Issues, *supra* note 74, at 436.

[83] M Kondo, *Chiteki Zaisan Kōtō Saibansho Secchihō (Heisei 16 nen hōritsu 119 go) oyobi Saibanshohōtō no Ichibu wo Kaisei-suru Hōritsu (Heisei 16 nen hōritsu 120 go) ni tsuite* [Regarding Act for Establishment of the Intellectual Property High Court (Law No. 119 of 2004) and Law for the Partial Amendment of the Court Act and other laws (Law No. 120 of 2004)], 2 Chizai Prism 1 (2004).

[84] Institute of Intellectual Property, Shingai Soshōtō niokeru Tokkyo no Anteisei ni shisuru Tokkyo Seido Unyo ni kansuru Chōsa Kenkyū Hōkokusho [Establishment and Operation of a Patent System Conducive to Patent Stability in Infringement Lawsuits] (2014) <http://www.jpo.go.jp/shiryou/toushin/chousa/pdf/zaisanken/2013_12.pdf> accessed October 16, 2017 (Japan) – English summary is available at <http://www.iip.or.jp/e/e_summary/pdf/detail2013/e25_06.pdf> accessed October 16, 2017; T Takenaka, 'Success or Failure? Japan's National Strategy on Intellectual Property and Evaluation of its Impact from the Comparative Law Perspective' (2009) 8 Wash. U. Global Stud. L. Rev. 379.

3.1.2 District courts

In 2003 Japan established a centralized patent enforcement system, following the recommendations of the Judicial System Reform Council in 2001.[85] The 2003 revisions in civil procedure led to a concentration of patent jurisdiction in the Osaka and Tokyo District Courts, and exclusive jurisdiction of patent appeals in the Tokyo Court.[86] The exclusive appellate jurisdiction was transferred to the IP High Court when the court was created in 2005. In addition to the patent jurisdiction, the Tokyo and Osaka District Courts have exclusive jurisdiction over cases involving infringement on technology-related IP rights, that is, utility model rights, Integrated Circuit layout registration, and copyright in computer programs.[87]

The Tokyo District Court has four IP special divisions to decide patent and technology-related IP cases, whereas the Osaka District Court has one IP special division to decide such cases. The overwhelming majority of Japanese judges do not have a science background.[88] Japanese judges start their career after completing their training at the judicial institute, which is run by the Supreme Court of Japan.[89] It is exceptional for judges to have careers as attorneys before their judicial appointment.

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[85] Justice System Reform Council, *Recommendations of the Justice System Reform Council: For a Justice System to Support Japan in the Twenty-first Century* (June 12, 2001) <http://www.kantei.go.jp/foreign/judiciary/2001/0612report.html> accessed October 16, 2017.

[86] Minji Soshōhōtō no Ichibu wo Kaisei-suru Hōritsu [Law for the Partial Amendment of the Code of Civil Procedure], Law No. 108 of 2003, art. 6, para. 1 (Japan) (amending Minji Soshōhō [Code of Civil Procedure], etc., Law No. 109 of 1998).

[87] Minji Soshōhō [Minsohō] [C. Civ. Pro.], Law No. 109 of June 26, 1996, as last amended in 2006, art. 6(1) (Japan). For an overview of Japanese court systems for patent litigation, see Toshiko Takenaka, *Comparison of U.S. and Japanese Court Systems for Patent Litigation: A Special Court or Special Divisions in a General Court?* in CASRIP Publication Series No. 5, Streamlining International Intellectual Property, Kraig M Hill and Toshiko Takenaka (eds) (Seattle: University of Washington CASRIP, 1999) 48.

[88] A former president of the IP High Court indicates that 10 percent of Japanese judges have a science background. Tomokatsu Tsukahara, Intellectual Property High Court of Japan, Japan Patent Office Asia-Pacific Industrial Property Center, Japan Institute for Promoting Invention and Innovation, 9 (2013) (training material) (hereinafter Tsukahara, IP High Court).

[89] For an overview of the Japanese judiciary, see J O Haley, 'The Japanese Judiciary: Maintaining Integrity, Autonomy and the Public Trust', in D H Foote (ed.) *Law in Japan: A Turning Point,* 99 (2007) <https://law.wustl.edu/harris/documents/2003-3HaleyJapaneseJudiciary.pdf> accessed October 16, 2017.

Judges in the IP special divisions at the Tokyo District Court and Osaka District Court are assisted by judicial research officials (*Saibansho chôsakan*) who work full-time for their respective courts. The Supreme Court of Japan has long adopted a policy of transferring Japanese judges from one court to another at all levels nationwide every two or three years so that judges do not develop a bias. When the government led the juridical reform initiative of Japanese courts, the patent community engaged in extensive debates over whether judges who are appointed to serve the IP special divisions should be exempt from this transfer rule. The Supreme Court refused to apply an exemption but judges who are appointed to the IP divisions are frequently transferred back to one of the IP special divisions and the IP High Court to further develop their patent law and technology expertise.[90]

3.1.3 IP High Court

On April 1, 2005, the IP High Court was created as a semi-independent court. As a result of the 2003 civil procedure revision, the IP special divisions of the Tokyo High Court already had functioned as a quasi-specialized court for adjudicating patent cases because the divisions had exclusive jurisdiction to hear appeals on patent cases from the Tokyo and Osaka District Courts.[91] Although some patent experts thought it unnecessary to create another court, the Japanese government urged the Supreme Court of Japan to create a special court that was not part of a court of general jurisdiction following the trend to create a separate patent court in the U.S., Europe and Asia to signify its policies to turn Japan into an IP based nation.[92] The structure of the IP High Court was a

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[90] Takenaka, Basic IP Law, *supra* note 5, 887; Japan Patent Attorneys Association, *Tokubetsu Intabyū: Chizai Kōsai Shochō Iimura Toshiaki Hanji ni Kiku – Chizai Saibankan ga Umaretekara Sodatsumade* [Special Interview: Interview with IP High Court Chief Judge Toshiaki Iimura – Training IP High Court Judges], 66 Patento 31 (2013) (hereinafter JPAA, Iimura Interview).

[91] I Nakayama, 'Chiteki Zaisan Seisaku to Aratana Seisakukeisei Purosesu – Chiteki Zaisan Rikkoku ni Muketa 10nen yo' [Intellectual Property Policies and New Process of Policy Making – 10 plus years for Japan to Become an Intellectual Property Based Nation], 46 Chiteki Zaisanhō Seisakugaku Kenkyū 1 (2015) (hereinafter Nakayama, New IP Policy Making) <http://eprints.lib.hokudai.ac.jp/dspace/bitstream/2115/59286/1/46_01.pdf> accessed October 16, 2017.

[92] Ibid., 15; IP Headquarters, Chiteki Zaisan Kōtō Saibansho no Sōsetsu nituite (An) [Regarding Creation of Intellectual Property High Court–Proposal] (November 2003) <http://www.kantei.go.jp/jp/singi/sihou/kentoukai/titeki/dai14/24siryou6.pdf> accessed October 16, 2017.

compromise between the government and the Supreme Court because under the Civil Procedure Code, the court is a special branch of the Tokyo High Court and thus not completely separate and independent from the Tokyo High Court.[93] However, the court has its own administrative authority through the judicial conference and also its own chief judge.[94] The IP High Court has exclusive jurisdiction to hear appeals in patent cases and other technology-related IP cases over which the Tokyo and Osaka District Courts have exclusive original jurisdiction.[95]

In reviewing the government's proposal to create the IP High Court, the expert committee members were not so much concerned about creating a specialized court but were more reluctant to establish an independent court.[96] The idea of a specialized court is rooted in the civil law tradition such as are the German and French legal systems, and well accepted by the Japanese legal community because Japan also followed this tradition before World War II.[97] Under the pre-World War II system, the JPO used to function as a quasi-patent special court of first instance for adjudicating patent validity. An adoption of a U.S.-style constitution which bans special courts led to an overhaul of Japan's judicial system.[98] Although Japanese Patent Law was revised to reflect this overhaul,[99] the patent enforcement system retained a strong German influence by giving the Tokyo High Court exclusive jurisdiction to review all appeals from the JPO.

Rather than concerns about judges maintaining broad viewpoints, the patent community was more troubled about judges' lack of technology expertise. Even prior to the creation of the IP High Court, judges of the IP special divisions at the Tokyo High Court as well as Tokyo and Osaka

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[93] Chiteki Zaisan Kōtō Saibansho Secchihō [Act for Establishment of the IP High Court], Law No. 109 of 2004 <http://law.e-gov.go.jp/htmldata/H16/H16HO119.html> accessed October 16, 2017.

[94] Ibid., arts 3–4.

[95] Minji Soshōhō [Minsohō] [C. Civ. Pro.], art. 6(3) (Japan). For an overview of the IP High Court's jurisdiction, see International Intellectual Property Institute & U.S. Patent and Trademark Office, Study on Specialized Intellectual Property Courts 66 (2102) <http://iipi.org/wp-content/uploads/2012/05/Study-on-Specialized-IPR-Courts.pdf> accessed October 16, 2017.

[96] Nakayama, New IP Policy Making, *supra* note 91, 15.

[97] R M Lorenzo, 'The Judicial System of Japan' (1974) 6 Case W. Res. J. Int'l L. 294 <http://scholarlycommons.law.case.edu/jil/vol6/iss2/9> accessed October 16, 2017.

[98] Nihonkoku Kenpō [Kenpō] [Constitution] 3 November 1946, art. 76 (Japan).

[99] Tokkyohō [Patent Act], Law No. 172 of 1948 (Japan).

District Courts had been assisted by judicial research officials who worked full-time for their respective courts. These officials had extensive experience in examining and/or preparing and pursuing patent applications as JPO appeal examiners or patent attorneys.[100] However, these clerks could not participate in the validity and infringement decisions that were to be made by judges without science backgrounds. During the discussions on establishing a centralized patent enforcement system, patent attorneys cited the German Patent Court and proposed the appointment of these clerks as technically qualified judges to participate in judicial decision-making.[101]

The Supreme Court and traditional legal community defended the status quo and thus no major reform was made in the judicial research official system. The IP High Court continues to appoint judicial research officials to assist judges. The role of these officials remains limited to giving judges an explanation of patented inventions and prior art references as well as a recommendation for a conclusion with respect to validity and infringement.[102] Their report including the explanation and recommendation is not disclosed to the parties, although judicial officials participate in hearings to disclose their explanation and recommendation in response to a request by and a question from a party.[103]

Moreover, the 2003 civil procedure revision introduced a technical advisor (*Senmon'iin*) system to respond to concern over the lack of technical expertise.[104] Unlike the research officials, technical advisors are not full-time employees of the IP High Court but are instead temporary employees who are appointed to assist judges on a case-by-case basis. The Tokyo District Court, Osaka District Court, and IP High Court have pools of advisors in different fields of technology. When the technology involved in a patent case is so advanced and unique that research officials cannot assist the judges properly, technical advisors are selected from the pool of advisors in the patented invention's field of technology. The duty of these advisors is to explain, without giving their own opinions, the patented invention and the prior art to the judges.[105]

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[100] Tsukahara, IP High Court, *supra* note 88, 10.

[101] Y Okada, 'Chiteki Zaisan Kankei Jiken ni kansuru Saiban Seido' [Judicial System Regarding Intellectual Property Related Cases], 57 Patento 4 (2004).

[102] Tsukahara, IP High Court, *supra* note 88, 11.

[103] Ibid.

[104] Minji Soshōhō [Minsohō] [C. Civ. Pro.] arts 92-2 to -7 (Japan).

[105] Tsukahara, IP High Court, *supra* note 88, 16.

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The U.S. Federal Circuit has significantly influenced the patent enforcement procedure in that the 2003 civil procedure revisions introduced for the first time among the Japanese High Courts a grand panel system that applies only to patent cases.[106] The system aims to develop reliable rules systematically and improve the predictability of patent litigation outcomes.[107] Except for such cases, three judges, including a presiding judge and one research official are assigned to each case.[108] When a case involves a significant patent law issue, the IP High Court hears the case by a grand panel, comprising four presiding judges including the chief judge and the judge-rapporteur who was originally assigned to draft the judgment of the case.[109] The IP High Court seldom hears cases by a grand panel and has granted a grand panel hearing for only nine cases during the first decade since its creation in 2005.[110] Although Japan is a civil law country, Japanese judges at courts of all levels in practice follow the precedents of the Supreme Court.[111] The IP High Court also follows the Court's precedents and the precedents of the Tokyo High Court, and it is likely to hear a case by grand panel if the court overturns its precedent.[112]

Another influence on the Federal Circuit is the IP High Court's adoption of an amicus brief system. The amicus brief system allows disinterested parties to offer input on issues in a particular case. It took a root in the common law tradition but civil law courts began to adopt the

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106 Minji Soshōhō [Minsohō] [C. Civ. Pro.] art. 269-2 (Japan).

107 Tsukahara, IP High Court, *supra* note 88, 60.

108 Ibid. 16.

109 R Shitara et al., Zadankai: 'Chiteki Zaisan Kōtō Saibansho 10shūnen no Kaiko to Tenbō' [Roundtable Discussions: Review and Outlook on the Tenth Anniversary of the Intellectual Property High Court], 1412 Hanrei Taimuzu [Hanta] 4, 40 (2015) (hereinafter Shitara, 10th Anniversary).

110 As of July 2016, the IP High Court granted a grand panel hearing for ten cases. English translation of grand panel decisions are available from the IP High Court Home Page: <http://www.ip.courts.go.jp/eng/hanrei/g_panel/index.html> accessed October 16, 2017.

111 J O Haley and D H Foote, 'Judicial Law-making and the Creation of Legal Norms in Japan: A Dialogue', in J O Haley & T Takenaka (eds) *Legal Innovations in Asia: Judicial Lawmaking and the Influence of Comparative Law* 79–82 (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing, 2014); Shigenori Matsui, 'Constitutional Precedents in Japan: A Comment on the Role of Precedent' (1669) 88 Wash. U. L. Rev. 1669 <http://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1070&context=law_lawreview> accessed October 16, 2017.

112 For example, Chiteki Zaisan Kōtō Saibansho [Intellectual Prop. High Ct.] May 29, 2009, Hei 20 (gyō ke) no 10458.

system either formally or informally.[113] In Japan, the patent attorney association and legal commentators urged for the adoption of an amicus brief system.[114] In 2014, the IP High Court adopted it by allowing a non-interested third party (non-party) to submit their views on enforcement of standard essential patents under the fair, reasonable and non-discriminatory declaration (FRAND).[115]

The court's introduction of the amicus brief system was informal because there was no basis in the civil procedure code or Patent Act to support non-party submissions. To enable such submissions within the current civil procedure framework, the court encouraged parties to agree on an arrangement to enable non-parties to submit their views to one of the parties of the case so that the parties could submit the non-party views as part of their evidence to support their positions.[116] Because no formal mechanism is provided by a law or regulations to invite submissions of non-party views, the parties in the case placed an announcement of opportunities to submit amicus briefs through their attorneys' home pages, and major newspapers. The court noted in its grand panel decision that the introduction of the amicus brief system was to widely seek views not only nationally but also internationally, because the issues relating to the exclusive right of standard essential patents should be decided from an international perspective.[117] This aim was well achieved because fifty-eight briefs were submitted from non-parties in Japan as well as the

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[113] S Kochevar, Comment: 'Amici Curiae in Civil Law Jurisdictions' (2013) 122 Yale L.J. 1653.

[114] Japan Patent Attorneys Ass'n Amicus Brief Comm., *Nihon-ban Amikasu Brīfu Seidono Jitsugen ni Mukete* [Toward the Introduction of Japanese Amicus Brief System], 65 Patento 82 (2012); N Kato, 'Tokkyo Soshōni Saibansho no Tomo wa Hitsuyōka – Beikoku Tokkyo Soshō niokeru Amikasu Kyurie Seido nituite' (2012) [Is it Necessary to Have Amicus Curiae for Patent Cases? – Amicus Curiae System in U.S. Patent Litigation], 272 Tokugikon, 77 (2012) <http://www.tokugikon.jp/gikonshi/272/272kiko2.pdf> accessed October 16, 2017; K Sakurada, 'Saibansho no Tomo nitsuite' [Regarding Amicus Curiae] (1967) 39 Horitsu Jiho 50.

[115] Chiteki Zaisan Kōtō Saibansho [IP High Ct.] May 16, 2014, Hei 25 (ne) no. 10043 <http://www.ip.courts.go.jp/vcms_lf/H25ne10043_zen1.pdf> accessed October 16, 2017 (Japan).

[116] S Oda 'Chiteki Zaisan Kōtō Saibansho no Daigōgi Jiken niokeru Ikenboshū' (2014) *(Nihongata Amikasu Kyurie) nitsuite* [Call for Opinions on Grand Panel Decision at IP High Court (Japanese Amicus Curiae)], 1401 Hanrei Jiho 116.

[117] IP High Ct., May 16, 2014, Hei 25 (ne) no. 10043, at 147 (Japan).

U.S. and six European countries.[118] The Court acknowledged the submitted briefs by including in its decision the bullet points of views included in these briefs although the court did not include any comments.

3.1.4 Supreme Court of Japan

The Supreme Court of Japan has the highest authority in Japanese courts. The Court comprises a chief justice and fourteen justices and hears cases by a petty bench of four or five justices or a grand bench of all fifteen justices.[119] Petty bench decisions do not have binding effect except in the principal case in theory, but in practice they too are followed in practice. To overturn a prior decision, the Court must hear a second or *jōkoku* appeal to the Supreme Court. Only a grand bench decision can overturn the Court's own precedent.[120] A party has the right to a *jōkoku* appeal to the Supreme Court if the decision from the IP High Court violates a constitutional right and involves any serious procedural violations listed in the Civil Procedure Code.[121] The Supreme Court seldom grants a *jōkoku* appeal in patent cases because it is very unlikely that an IP High Court decision will include one of these violations. The Court may exercise its discretion to review patent cases if it finds merit on an argument including a petition for *jōkoku* appeal with respect to a serious mistake in interpretation of the Patent Act and other laws by the IP High Court.[122]

During the first decade since the inception of the IP High Court, the Supreme Court seldom granted a petition for *jōkoku* appeal on patent cases and has reversed only one IP High Court patent decision since its creation.[123] The Supreme Court may have refrained from intervening in the IP High Court's patent law-making because one of the goals of establishing a grand panel system was to improve legal certainty on patent litigation outcomes without appealing to the Supreme Court.[124] Moreover, none of the Supreme Court justices has a science background

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[118] Ibid., 120.

[119] Tsukahara, IP High Court, *supra* note 88, 6.

[120] Saibanshohō [Court Act], Law No. 59 of 1947, art. 10 (Japan).

[121] Minji Soshōhō [Minsohō] [C. Civ. Pro.] art. 312 (Japan). An appeal to the Supreme Court of Japan is called a *Jokoku* appeal.

[122] Minsohō, art. 318.

[123] Saikō Saibansho [Sup. Ct.] July 10, 2008, Hei 19 (gyō hi) no. 318, 62 Saikō Saibansho Minji Hanreishū [Minshū] 1905 <http://www.courts.go.jp/app/files/hanrei_jp/604/036604_hanrei.pdf> (Japan) (Emitting Diode).

[124] Tsukahara, IP High Court, *supra* note 88, 60.

or patent expertise. Justices are assisted by Supreme Court judicial officials.[125] Such officials include those versed in patent and intellectual property law expertise through their services as judges in one of the IP special divisions and/or the IP High Court. It is very unlikely for judicial officials with patent expertise to advise justices to overturn a grand panel decision handed down by judges with more patent experience than the officials themselves.

However, in the 2015 *Pravastatin Sodium* decision, the Supreme Court for the first time reversed a grand panel decision and struck down a long established examination practice.[126] The Court rejected the IP High Court's ruling that the scope of product-by-process claims depends on whether it was necessary to define a product by its process at the priority date.[127] In other words, only when the patentee establishes this necessity at the priority date, can the scope of such claims extend to any product that has the structure or property of the product resulting from the process recited in the claim regardless of the process by which the product was actually made. Conversely, without showing the necessity, the scope covers only a product resulting from the recited process. The Supreme Court struck down the IP High Court's ruling as being in conflict of legal certainty because the scope of exclusive right varied depending on the necessity. Instead, the Court made clear that the scope of a product-by-process claim always extends to any product that has the structure or property of the product resulting from the recited process in the claim. However, the Supreme Court made such claims invalid for failing to meet the definiteness requirement unless there are special circumstances that make it impossible or impractical to define the product by its structures or properties as of the priority date. This decision has led to a major change in the JPO's examination practice which requires examiners to determine the presence or absence of such

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[125] The Supreme Court judicial officials are elite judges who are appointed from the senior ranks of career judges.

[126] Saikō Saibansho [Sup. Ct.] June 30, 1981, Sho (o) no 336, 35 Saikō Saibansho Minji Hanreishū [Minshū] 848 (Japan); Saikō Saibansho [Sup. Ct.] Nov. 10, 1998, Hei (o才) no 1579 (Japan); K Shimasue, 'Purodakuto-Bai-Purosesu-Kureimu no Kaishaku ni tsuite' [Regarding Interpretation of Product-By-Process Claim], in T Makino et al. (eds) 1 Chiteki Zaisanhō no Riron to Jitsumu (Tokkyo hō 1, 2007) [Theory and Practice of Intellectual Property Law] (Patent Law 1), 2007 138.

[127] Chiteki Zaisan Kōtō Saibansho [IP High Ct.] Jan. 27, 2012 (Grand Bench), Hei 19 (wa) no 35342, 2144 Hanrei Jihō [Hanji] 55 (Japan) (Pravastatin Sodium).

special circumstances. Consequently, many patents issued on a product-by-process basis have become invalid under the new rule.

3.2 Contributions by the IP High Court

Like the Federal Circuit, the aims of the IP High Court have been accomplished. The primary purpose for establishing the IP High Court was to provide more effective and speedy proceedings to adjudicate IP cases.[128] The IP High Court has significantly reduced the pending period from commencement to disposition from 9.8 months (2005 – the year the court was established) to 7.8 months (2015).[129] Although a special law to provide speedy court proceedings was enacted in 2003, the average pending period of civil court proceedings in general has not been significantly shortened.[130] In contrast, the IP High Court's reduction in pending time is significant.[131] Japanese commentators agreed that the IP High Court has contributed to its mission of reducing delay.[132]

Less clear, however is whether the goal of effectiveness has been achieved.[133] During the discussion on establishing the IP High Court, the government and a committee of IP experts raised the question of the court's effectiveness in the context of predictability of patent litigation

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[128] Chiteki Zaisan Kōtō Saibansho Secchihō [Act for Establishment of the IP High Court], Law No. 119 of 2004, art. 1 (Japan).

[129] IP High Court, Number of Intellectual Property Appeal Cases Commenced and Disposed, and Average Time Intervals from Commencement to Disposition Court of Second Instance: Intellectual Property High Court (Tokyo High Court until March 31, 2005), Statistics.

[130] Saiban no Jinsokuka nikansuru Hōritsu [Law of Speeding up Court Proceedings], Law No 107 of 2003 (Japan). According to the statistics published by the Supreme Court of Japan, the average pending time shortened slightly after the enactment of the speeding up law but gradually increased to exceed the period of the year of enactment in 2014. Saiban no Jinsokuka ni Kakaru Kensho ni Kansuru Hōkokusho no Gaiyō [Summary of Report on Evaluation of Speeding up Court Proceedings] (July 10, 2015) <http://www.courts.go.jp/vcms_lf/hokoku_06_gaiyou.pdf> accessed May 21, 2018.

[131] T Hosoda, 'Chiteki Zaisan Kōtō Saibansho no Secchi niyoru Soshō eno Eikyō nituite – Saikō Saibansho tono Kankei kara' [Regarding Impact of the Establishment of IP High Court on Litigations – With Reference to the Supreme Court] (hereinafter Hosoda, Litigation Impact) <http://www3.grips.ac.jp/~ip/pdf/paper2013/MJI13502hosoda.pdf> accessed October 16, 2017.

[132] Nakayama, New IP Policy Making, *supra* note 91, 18.

[133] Ibid.

outcomes.[134] Some industry representatives, in particular, urged the government and courts to separate the IP special divisions from the Tokyo High Court to develop a uniform case law through the grand panel system without resort to an appeal to the Supreme Court.[135] They were concerned about the lack of patent law and technology expertise at the Supreme Court and desired to finalize patent dispute resolutions at the IP High Court. The grand panel system had already been introduced by the 2003 civil procedure revisions and thus the system itself is not attributable to the IP High Court. However, the industry representatives believed that creating an IP High Court independent from the Tokyo District Court would give it the flexibility to develop its own proceedings tailored to the needs of patent cases and effectively use the grand panel system, which would eliminate unnecessary appeals to the Supreme Court.

The IP High Court used such flexibility to develop a streamlined procedure for reviewing an appeal from JPO board decisions so that the parties could follow the guidelines published by the court.[136] The Court adopted improved case management through intensive hearings that were developed when it was part of the Tokyo High Court.[137] This procedural improvement substantially contributed to the speedy procedure mission. However, the Court has used the grand panel system very infrequently and thus the impact of the grand panel on effectiveness is marginal.[138] No evidence has been found for improved predictability of patent litigation outcomes because no significant change has been seen in the frequency that losing parties have filed and petitioned for *jōkoku* appeals to the Supreme Court.[139]

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[134] IP Headquarters, *Chiteki Zaisan Kōtō Saibansho no Sōsetsu nituite (Torimatome)* [Establishment of IP High Court (Summary)] (Dec. 11, 2003) <http://www.kantei.go.jp/jp/singi/titeki2/houkoku/151211kousai.pdf> accessed October 16, 2017.

[135] Ibid. 4; Kazumasa Abe et al., *Chiteki Zaisan Kōtō Saibansho no Sōsetsu wo Motomeru* [A Request to Establish an IP High Court] (June 2, 2003) <http://www.kantei.go.jp/jp/singi/sihou/kentoukai/titeki/dai9/9siryou4.pdf> accessed May 21, 2018.

[136] Shinketsu Torikeshi Soshō (Tokkyo/ Jitsuyō Shin'an) no Shinkō nituite [Regarding the Process of Proceedings for Cancelling JPO Trial Decisions] <http://www.ip.courts.go.jp/tetuduki/form/form_youkou/index.html> accessed August 11, 2016.

[137] IP High Court, *Current Status* <http://www.ip.courts.go.jp/eng/aboutus/current/index.html> accessed August 11, 2016; Hosoda, Litigation Impact, *supra* note 131, 11.

[138] See the discussion on *supra* note 110.

[139] Hosoda, Litigation Impact, *supra* note 131, 16.

Another goal of the IP High Court was to emphasize Japan's commitment to intellectual property.[140] This mission is served well by the IP High Court.[141] The Court hosts visitors from worldwide, particularly from Asia, the U.S. and Europe as well as international IP conferences and mock trials.[142] IP High Court judges frequently speak at domestic and international conferences. It also publishes the history and essential information about the court in six different languages and important decisions in English. The introduction of the amicus brief system also made it possible for the IP High Court to reach out to legal professionals and industries worldwide and show their commitment to globalization in its patent law-making. As a result, the IP High Court provides another role model for IP special courts and contributes to the harmonization of procedural aspects of patent enforcement.

4. ANALYSIS OF CRITIQUES ON THE FEDERAL CIRCUIT AND PROPOSED REFORMS

4.1 Critiques of the Federal Circuit and Reform Proposals

Despite significant contributions being made, as discussed above, U.S. commentators extensively criticize the U.S. Federal Circuit. Academics publish commentaries either to attack or defend the Federal Circuit.[143] Judges are also vocal, sharing their views on its performance.[144] The

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[140] Nakayama, New IP Policy Making, *supra* note 91, 18.

[141] Ibid. 18.

[142] R Shitara, 'Chiteki Zaisan Kōtō Saibansho no Jūnenkan no Ayumi to Kongo no Tenbō' [Past Decade of IP High Court and Future Perspective] (2015) 66 Jiyū to Seigi 44 (hereinafter Shitara, History and Future of IP High Court).

[143] For example, R Polk Wagner & L Petherbridge, 'Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance' (2004) 152 U. Pa. L. Rev. 1105 (hereinafter Petherbridge, Federal Circuit Succeeding); Arti K Rai, 'Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform' (2003) 103 Colum. L. Rev. 1035.

[144] For example, Diane P Wood, 'Is It Time to Abolish the Federal Circuit's Exclusive Jurisdiction in Patent Cases?' (2013) 13 Chi.-Kent J. Intell. Prop. 1; K M O'Malley et al., 'A Panel Discussion: Claim Construction from the Perspective of District Judge' (2004) 54 Case W. Res. L. Rev. 671, 672 (hereinafter Wood, Keynote Address).

practicing bar is divided over whether to endorse the Federal Circuit's exclusive jurisdiction over patent cases.[145]

It is difficult to evaluate the merit of these critiques because U.S. commentators use different empirical data to show whether the Federal Circuit has accomplished the goals for which it was established, that is, the uniformity of the legal doctrine and predictability of patent litigation outcomes.[146] For example, in focusing on the doctrine of nonobviousness, Profs. Petherbridge and Wagner used the Federal Circuit's reversal rates on decisions from its lower tribunals and argued that the court had improved on the uniformity and predictability.[147] They relied on the court's high affirmance rate to support their conclusion that the law is more stable and reliable. On the other hand, the same authors used reversal rates to show lack of uniformity in the doctrines relating to claim interpretation.[148] Prof. Lefstin used dissent frequency to support his conclusion that indeterminacy in major patent law issues had declined, suggesting improvement in uniformity and predictability.[149] Prof. Cotropia looked at dissent and *en banc* review frequency to show lack of uniformity among Federal Circuit judges, which tends to support the failure to accomplish the goal.[150] Prof. Petherbridge focused on three different variables in the Federal Circuit decisions, Wins on Appeal, Dispositive Wins and Affirmance, to illustrate jurisprudence diversity, which supports his conclusion of lack of uniformity.[151] Other academics

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[145] N.Y.C. Bar, 'Should Patent Jurisdiction be Removed from the Jurisdiction of the Federal Circuit and Returned To Regional Courts of Appeals? Reports of the Committee on Patents and Committee on Federal Courts' (July 2015) (hereinafter N.Y.C. Bar Reports), <http://www2.nycbar.org/pdf/report/uploads/20072952-SHOULDPATENTJURISDICTIONBEREMOVEDFROMTHEJURISDICTIONOFTHEFEDERALCIRCUITANDRETURNEDTOREGIONALCOURTSOFAPPEAL.pdf> accessed October 16, 2017.

[146] Federal Courts Improvement Act of 1982. Pub. L. No 97-164, 96 Stat. 25 (codified as amended in scattered sections of 28 U.S.C.); Dreyfuss, Case Study, *supra* note 1, at 7.

[147] L Petherbridge & R Polk Wagner, 'The Federal Circuit and Patentability: An Empirical Assessment of the Law of Obviousness' (2007) 85 Tex. L. Rev. 2051 <http://scholarship.law.upenn.edu/faculty_scholarship/99> accessed October 16, 2017.

[148] Petherbridge, Federal Circuit Succeeding, *supra* note 143, 1115 (2004).

[149] Jeffrey A Lefstin, 'The Measure of the Doubt: Dissent, Indeterminacy, and Interpretation at the Federal Circuit' (2007) 58 Hastings L.J. 1025.

[150] Cotropia, Determining Uniformity, *supra* note 45, 804–805.

[151] L Petherbridge, 'Patent Law Uniformity?' (2009) 22 Harv. J.L. & Tech. 421 (hereinafter Petherbridge, Patent Law Uniformity).

used reversal rates to show lack of uniformity and predictability.[152] Prof. Rantanen and Prof. Petherbridge cast doubt on the usefulness of reversal rates in conducting empirical analysis on uniformity, and used the frequency of separate dissent and concurring opinions.[153] Their study demonstrated greater disagreement among the Federal Circuit judges, which led to a conclusion of lack of uniformity.

U.S. commentators also disagree whether uniformity should be viewed positively or negatively. Many commentators are critical of frequent dissents that demonstrate differences in judges' thoughts on legal issues.[154] They found the lack of uniformity negatively by describing the case law in enablement as 'inconsistent and chaotic'[155] as well as the case law in the doctrine of equivalents to '"wobble" around a nucleus of standards'.[156] In contrast, Profs. Nard and Duffy viewed the lack of uniformity positively by highlighting benefits resulting in decentralization of the patent jurisdiction.[157] Prof. Dreyfuss joined Profs. Nard and Duffy in emphasizing the legal innovations resulting from percolation among multiple appellate courts, and posed the question of whether too much was sacrificed for uniformity.[158] Other U.S. scholars also share this view and propose a reform to the Federal Circuit's exclusive patent

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[152] For example, J Jonas Anderson & Peter S Menell, 'Informal Deference: A Historical, Empirical, and Normative Analysis of Patent Claim Construction' (2013) 108 Nw. U. L. Rev. 1, 76; C A Chu, 'Empirical Analysis of the Federal Circuit's Claim Construction Trends' (2001) 16 Berkeley Tech. L.J. 1075; K A Moore, 'Are District Court Judges Equipped to Resolve Patent Cases?' (2001) 15 Harv. J.L. & Tech. 1; D L Schwartz, 'Pre-Markman Reversal Rates' (2010) 43 Loy. L.A. L. Rev. 1073, 1107.

[153] J Rantanen & L Petherbridge, 'Disuniformity' (2015) 66 Fla. L. Rev. 2007 <http://scholarship.law.ufl.edu/flr/vol66/iss5/4> accessed October 16, 2017.

[154] For example, Cotropia, Determining Uniformity, *supra* note 45, 820.

[155] K E Collins, 'Enabling After-Arising Technology' (2009) 34 J. Corp. L. 1083, 1087–1088 <http://www.repository.law.indiana.edu/cgi/viewcontent.cgi?article=2753&context=facpub> accessed October 16, 2017.

[156] Petherbridge, Patent Law Uniformity, *supra* note 151, 429.

[157] C A Nard & J F Duffy, 'Rethinking Patent Law's Uniformity Principle' (2007) 101 Nw. U. L. Rev. 1619, 1625 (hereinafter Nard & Duffy, Rethinking).

[158] R Cooper Dreyfuss, 'Percolation, Uniformity, and Coherent Adjudication: The Federal Circuit Experience' (2013) 66 SMU L. Rev. 505, 507 (hereinafter Dreyfuss, Percolation).

jurisdiction.[159] Even forum shopping is viewed positively contrary to the conclusion of the extensive debate over creating the Federal Circuit.[160]

To improve uniformity and predictability, the Federal Circuit developed bright line rules in important areas of patent law doctrines such as patent eligibility and nonobviousness.[161] This effort has been criticized as being too formalistic[162] and rejected by the Supreme Court as being inflexible,[163] although the bright line rules should greatly help lay judges in deciding patent cases involving complex technologies.[164] The more the Federal Circuit has worked hard to achieve its goals, the more it has been criticized by traditional common law academics because its institutional structure prevents the court from developing its case law through the traditional common law process of decision-making by engaging peer dialogues among multiple appellate courts through percolation.[165] These academics cite the absence of percolation as a reason for the Federal Circuit's failure to implement the Supreme Court's guidance and disregard of other areas of law.[166]

Some argue that the Federal Circuit judges have developed entrenched doctrines because they live within the same geographic area and are repeatedly exposed to the same subject matter, the same parties, and similar viewpoints.[167] To address these concerns, a variety of reforms are proposed to introduce diverse views in patent jurisdiction: to return the

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[159] For example, A K Rai, 'Patent Validity across the Executive Branch: Ex Ante Foundations for Policy Development' (2012) 61 Duke L. J. 1237, 1238 nn.4–6.

[160] C D Quillen, Jr., 'Innovation and the U.S. Patent System' (2006) 1 Va. L. & Bus. Rev. 207, 228 (hereinafter Quillen, Innovation).

[161] P Lee, 'Patent Law and the Two Cultures' (2010) 120 Yale L.J. 2, 27 (hereinafter Lee, Two Cultures).

[162] J R Thomas, 'Formalism at the Federal Circuit' (2003) 52 Am. U. L. Rev. 771, 778.

[163] For example, *Nautilus, Inc. v Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014); *Bilski v Kappos*, 130 S. Ct. 3218, 3227 (2010); *KSR International Co. v Teleflex Inc.*, 550 U.S. 398 (2007).

[164] Lee, Two Cultures, *supra* note 161, 20–25.

[165] Nard & Duffy, Rethinking, *supra* note 157, 1645.

[166] Dreyfuss, Percolation, *supra* note 158, 3–4.

[167] Cotropia, Determining Uniformity, *supra* note 45, 807; R Polk Wagner & L Petherbridge, 'Did Phillips Change Anything? Empirical Analysis of the Federal Circuit's Claim Construction Jurisprudence', in Shyamkrishna Balganesh (ed.) *Intellectual Property and the Common Law* (New York: Cambridge University Press, 2011).

patent jurisdiction to regional appeal courts;[168] to give the parties the option to choose between the Federal Circuit and the regional circuit in which their claim was originally filed;[169] or to share the Federal Circuit's patent jurisdiction with one extant circuit court over infringement cases and with the Court of Appeals for the District of Columbia Circuit for appeals from the Patent and Trademark Office.[170] To maintain the Federal Circuit's broad viewpoints and improve its judges' skills in adjudicating patent cases, Prof. Guglinzza proposed adding commercial cases to the Federal Circuit's jurisdiction to enhance its commercial sophistication.[171]

Other commentators encourage the Federal Circuit's interaction with generalist judges to broaden its judges' viewpoints and knowledge. Prof. Rai proposed *en banc* review of Federal Circuit decisions by a panel of judges from regional appeal courts.[172] Prof. Gugliuzza proposed inviting more visiting generalist judges to sit with Federal Circuit judges.[173]

4.2 Mechanisms Incorporated in the IP High Court for Addressing Federal Circuit Critiques

It is interesting to note that Prof. Gugliuzza's idea has been implemented for the IP High Court where patent cases are heard by a panel of patent specialist and generalist judges.[174] As discussed above, Japanese judges including IP High Court judges are subjected to a transfer rule.[175] Having reviewed debates and critiques on the Federal Circuit, the expert committee members were concerned that IP High Court judges would develop entrenched viewpoints if they are isolated from other judges.[176] Moreover, the 2003 Judicial Reform Initiative aimed to train judges with broad knowledge and social experiences to respond to criticisms of those judges

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[168] Quillen, Innovation, *supra* note 160, 233; C D Quillen. Jr., 'Rethinking Federal Circuit Jurisdiction—A Short Comment' (2012) 100 Geo. L. J. Online 23, 24 n.5.

[169] Wood, Keynote Address, *supra* note 144, 9.

[170] Nard & Duffy, Rethinking, *supra* note 157, 1625.

[171] P R Gugliuzza, 'Rethinking Federal Circuit Jurisdiction' (2012) 100 Geo. L.J. 1437 (hereinafter Gugliuzza, Rethinking Jurisdiction).

[172] A K Rai, 'Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform' (2003) 103 Colum. L. Rev. 1035, 1124–1125.

[173] Gugliuzza, Rethinking Jurisdiction, *supra* note 171, 1499.

[174] As of January 2013, nine IP High Court judges had patent experience and another nine judges had no patent experience at their appointment. JPAA, Iimura Interview, *supra* note 90, 33.

[175] *Supra* note 90.

[176] Nakayama, New IP Policy Making, *supra* note 91, 14–15.

who failed to develop the common sense of ordinary people because of their seemingly rigid career paths.[177] In the end, the committee rejected the proposal and decided to continue to apply the transfer rule to IP High Court judges.

The transfer rule has functioned well as a mechanism to prevent experienced patent judges from developing entrenched viewpoints: IP High Court judges are trained to view themselves being temporarily assigned to an IP special division instead of being appointed as an IP specialist judge.[178] One of the most frequently cited critiques on the Federal Circuit is that the Federal Circuit judges have a pro-patent bias and have systematically developed patentee-friendly doctrines.[179] Although the merit of this critique is questionable,[180] the Japanese patent community has not found any pro-patent bias in the IP High Court. Instead, the court is viewed as anti-patent when it frequently invalidated patents for lack of an inventive step between 2005 and 2007.[181] Patentee win rates at Japanese courts are known to be relatively low, at less than 20 percent.[182] In response, the President of the IP High Court has emphasized the high patentee win rate in settled cases, at 68 to 79 percent.[183]

The Japanese Supreme Court's transfer system addresses many concerns raised in the critiques of the U.S. Federal Circuit. Patent experienced judges play a key role in promoting uniformity in patent law

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[177] H Takahashi, 'Career Judiciary, Judicial Reform, and Practicing Attorneys' (2009) 14 ZJapanR / J. Japan. L. 39–57 <http://www.zjapanr.de/index.php/zjapanr/article/viewFile/151/157> accessed October 16, 2017.

[178] JPAA, Iimura Interview, *supra* note 90, at 32.

[179] For example, Quillen, Innovation, *supra* note 160, 210–212; G S Lunney, Jr., 'E-Commerce and Equivalence: Defining the Proper Scope of Internet Patents' (2001) 7 Mich. Telecomm. & Tech. L. Rev. 363, 370.

[180] Various studies show the validity rate between 45 percent and 58 percent which is higher than the pre-Federal Circuit validity rate, which was extremely low. N.Y.C. Bar Reports, *supra* note 145, at 5.

[181] Takeshi Maeda, 'An Empirical Study of Inventive Step in Japanese IP High Court Cases and Reconstruction of Its Test from a Functional View (2014) 23 IIP Bulletin 150, 156, IIP Research Activities in Y 2013 <http://www.iip.or.jp/e/e_summary/pdf/detail2013/e25_18.pdf>.

[182] The average patentee win rate in the Tokyo and Osaka District Courts between 2006 and 2011 was 22 percent. Michael C Elmer & C Gregory Gramenopoulos, *Global Patent Litigation* (Arlington VA: BNA 2014) 731. The statistics published by the Supreme Court of Japan are even lower, less than 20 percent between 2003 and 2013. Japan Patent Office, *Heisei 26nen'do Shinpan no Gaiyō* [Summary of Trials, Fiscal Year 2014] 13.

[183] Shitara, History and Future of IP High Court, *supra* note 142, 47–48.

doctrines. These judges are frequently transferred between the IP special divisions of the Tokyo and Osaka District Courts and IP High Court. Judges may be appointed as a presiding judge of one of the IP special divisions after an appointment at the IP High Court. Although less experienced judges decide cases on their own as being independent and free from any influence, they naturally seek advice from more experienced judges and attend an internal study group run by experienced judges.[184] The uniformity brought by the transfer system is well supported by the IP High Court's low reversal rates on appeals from the JPO as well as Tokyo and Osaka District Courts.[185] In particular, the reversal rates for the JPO's decisions to find patents valid were high for the first few years after the establishment of the IP High Court, but substantially declined in 2008 when the JPO organized an expert committee to review IP High Court decisions.[186] This review was conducted to respond to critiques from the public that the court heightened the patentability standards, in particular the inventive step standard.[187] In 2009, the IP High Court adopted a test similar to the Federal Circuit's Teaching-Suggestion-Motivation test to guard against hindsight bias.[188] The number of appeals from the JPO has decreased since 2008.[189] Unlike the

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[184] JPAA, Iimura Interview, *supra* note 90, at 34.

[185] The reversal rates on appeals from JPO are 20 to 30 percent. Japan Patent Office, Shinpan Seido no Gaiyō (Seido Unyō Hen) [Overview of Trials (System and Administration)] 11, 18 (2014). Based on the IP High Court's database, 291 of 381 (76%) appeals from patent infringement decisions are rejected and decisions from the Tokyo or Osaka district courts are affirmed without any amendment as of August 2, 2016.

[186] Japan Patent Office, Tokkyosei Kentoukai Hōkokusho 2008 [Report by Patentability Review Committee] (Mar. 2009) <https://www.jpo.go.jp/shiryou/toushin/kenkyukai/pdf/sinposei_kentoukai/h20_houkokusyo.pdf> accessed October 16, 2017.

[187] For example, Sh Takakura, 'Review of the Recent Trend in Patent Litigation from the Viewpoint of Innovation', Research Institute of Economy, Trade & Industry (September 3, 2008) <http://www.rieti.go.jp/en/columns/a01_0242.html> accessed October 16, 2017.

[188] Chiteki Zaisan Kōtō Saibansho [IP High Ct.] Jan. 28, 2009, no. 2043, 117 Hanrei Jiho [Hanji], 1299 Hanrei Taimuzu [Hanta] 272 (Japan). For a discussion of this case, see Toshiko Takenaka, 'Chief Judge Rader's Contribution to Comparative Patent Law' (2012) 7 Wash. J.L. Tech. & Arts 379 <http://digital.law.washington.edu/dspace-law/handle/1773.1/1127> accessed May 9, 2018. Many view this case as the IP High Court's turning point regarding its attitude to inventive steps. See Shitara, 10th Anniversary, *supra* note 109, at 20.

[189] Shitara, History and Future of IP High Court, *supra* note 142, 46.

Federal Circuit, the IP High Court can publish only one opinion.[190] Some Japanese patent experts urge the IP High Court to allow judges to publish their opinions.[191] However, U.S. experiences supports the view that the disagreements among judges would weaken the effect of the court opinion or disturb the uniformity in patent law doctrines and thus it is better to avoid publication of multiple opinions.

Although percolation is a concept rooted in the common law tradition, the transfer rule also brings the benefits of percolation by promoting legal innovations. Patent experienced judges are also transferred to a court of general jurisdiction and exposed to non-IP legal issues. Opponents of the government proposal to make the IP High Court independent from courts of general jurisdiction cited such court's possible deviation from the norms in other areas of the law and difficulty in adjudicating patent issues that involve legal issues beyond the Patent Act, such as compensation for inventions made by employees.[192] Judges were also keenly aware of the similarity between patent disputes and other commercial disputes.[193] Moreover, patent experienced judges are frequently transferred to local courts after an appointment at the Tokyo or Osaka District Courts and IP High Court and bring back information about the local industry. Because of their broad viewpoints and interactions with generalist judges, IP High Court judges are immune to critiques of their lack of knowledge in other areas of law or commercial sophistication.[194]

To address lack of expertise concerns, the IP High Court has incorporated multiple mechanisms to facilitate generalist judges to decide patent cases independently from patent experienced judges. Such mechanisms include the judicial research official system, the technical advisor system, and bright line rules developed by the JPO. Formalistic adjudication and bright line rules have never been a problem under Japan's legal tradition. Japan is known for delegating broad authority from the legislature to bureaucrats such as those in the Ministry of Economy, Trade and Industry

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[190] Supreme Court justices are required to write their own opinions. Saibanshohō [Court Act], Law No 59 of 1947, art. 11 (Japan). No equivalent provision is provided for high court and district court judges. A dissenting opinion from the Supreme Court has no value as precedent and seldom becomes a majority opinion in later cases. H Itoh, 'The Role of Precedent at Japan's Supreme Court' (2011) 88 Wash. U. L. Rev. 1631 <http://openscholarship.wustl.edu/law_lawreview/vol88/iss6/11> accessed October 16, 2017.

[191] Shitara, 10th Anniversary, *supra* note 109, 17.

[192] Nakayama, New IP Policy, *supra* note 91, 14.

[193] JPAA, Iimura Interview, *supra* note 90, 33.

[194] Gugliuzza, Rethinking Jurisdiction, *supra* note 171, 1442.

(METI) and the JPO.[195] Bureaucrats have taken leadership roles in policy- and law-making by drafting legislation and adopting broad statutory language such that details may be provided in formal agency rules and informal administrative guidance.[196] Regarding the Patent Act, the JPO has enjoyed such a leadership role. In particular, the JPO has maintained the exclusive power to examine patent validity until the Supreme Court eliminated the bifurcation system.[197] Thus, Japanese courts took a hands-off approach by endorsing the bright line rules that the JPO developed as examination guidelines. Courts began to play an active role in patent law-making only after the creation of the IP High Court.[198]

The bright line rules contribute greatly to the procedural fairness principle under the administrative procedure law, which requires administrative agencies to develop standards for making dispositions, such as granting a patent on an application, as concrete as possible.[199] Such rules also facilitate generalist judges to adjudicate patent cases by reducing information costs associated with technological engagement under the cognitive miser theory.[200] Judges can defer to judicial research officials to deal with complex technologies and rely on a limited set of factors to limit technical inquiry in applying technical information processed by their officials. In short, the bright line rules maximize the use of the institutional design of the IP High Court.

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[195] T Ginsburg, 'Dismantling the "Developmental State"? Administrative Procedure Reform in Japan and Korea' (2001) 4 Am. J. Comp. L. 585.

[196] Y Yanagida et al., *Law and Investment in Japan: Cases and Materials* (Cambridge, MA: Harvard University Press, 1994) 39.

[197] S Saibansho [Sup. Ct.] April 11, 2000 (*Kilby* decision), *supra* note 75.

[198] T Takenaka, 'A Change of Leadership in Patent Policy and Law Development? The Active Role Played by Japanese Courts in Japan's Patent Term Extension Reform' in J O Haley & T Takenaka (eds) *Legal Innovations in Asia: Judicial Lawmaking and the Influence of Comparative Law* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing, 2014) 293.

[199] G Tetsuzukihō [Administrative Procedure Act], Law No. 73 of 2005 (Japan).

[200] Lee, Two Cultures, *supra* note 161, 25.

5. RECOMMENDATION OF BEST PRACTICE FOR SPECIALIZED PATENT ADJUDICATION

What to learn from the U.S. and Japanese experiences? European countries are currently going through an overhaul of their patent enforcement system through the UPCA. Because the UPCA members include both civil law and common law countries, Japan's experiences may be most useful as a blend of both legal traditions as the bifurcation system has been removed. Moreover, Japan has learned from the U.S. experiences and improved its specialized patent adjudication by incorporating mechanisms to address specialization concerns raised in the U.S. Federal Circuit critiques. Thus, the following recommendation focuses on lessons from the removal of the bifurcation system and incorporation of mechanisms to address specialization concerns. In proposing best practice, patent litigation reform needs to embrace more than a comparative law perspective: it needs to adopt a balance of equity and efficiency as a key principle when evaluating its effectiveness.[201] Thus, the following recommendation is examined in light of the key principles of providing a well-balanced adjudication system to serve equity and efficiency for promoting the goals of the patent system.

5.1 Removal of the Bifurcation System

The best practice for a specialized court in adjudicating patent cases should allow parties to raise the defense of invalidity to prevent enforcement of invalid patents without causing any significant delay and while incorporating a mechanism for taking advantage of resources at the patent office to examine their validity. The current German bifurcation system is unbalanced and does not serve equity because of its disproportionate advantages to patentees.[202] The German bifurcation is unique because defendants in patent infringement proceedings are precluded not only from asserting patent invalidity but also from advancing claim interpretation in light of the prior art, which is not discussed in the specification.[203] This unique feature makes it possible for patentees to

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[201] J B Wilson, *Out of Balance: Prescriptions for Reforming the American Litigation System* (Lincoln, NE: iUniverse, Inc., 2005) 7.

[202] Cremers, Invalid but Infringed, *supra* note 67, 26.

[203] Takenaka, Patent Enforcement, *supra* note 26, 123.

advance a broad claim interpretation in infringement proceedings and a narrow interpretation at the EPO or the Federal Patent Court.[204]

Because nullity procedures are frequently filed to defend an assertion of patent infringement in infringement proceedings and take longer as the court must examine all claims and proposed amendments in light of newly found prior art references, the conclusion of opposition and nullity suits normally come after the conclusion of infringement suits, with a significant delay.[205] Once German courts find infringement, they automatically grant injunctions that are immediately enforceable with the deposit of a bond.[206] Between competitors who practice patents and sell products, the harm resulting from a grant or denial of an injunction often balances out between the parties. Such parties are also often motivated to settle their disputes by, for example, cross-licensing their patents. The German bifurcation also discourages parties from filing unnecessary nullity suits that rely on a weak invalidity ground because of the extra cost.[207] As a result, many invalid patents have been left unchallenged and hanging around like a scarecrow to hinder industries from using the technologies that are supposed to be in the public domain. Staying an infringement proceeding until the conclusion of an opposition or nullity proceeding would eliminate its disproportionate advantage, which would further delay a resolution of dispute. Japan's experience suggests that an obscure practice of claim interpretation may be necessary to avoid infringement on an invalid patent in an accused embodiment.[208]

To balance between equity and efficiency, accused infringers should be allowed to raise defenses based on invalidity in infringement proceedings. Under the UPCA, German courts are given an option of bifurcating the case when a defense of invalidity is raised in infringement proceedings.[209] This option should be removed because of the unbalanced system resulting from current German experiences and also because of the obscure claim interpretation to avoid enforcement of invalid patents based on Japan's past experiences. German judges are already well trained in both patent law and technology because they have been

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[204] This problem resulting from the bifurcation system is referred to as the Angora Cat approach. Lord Justice Jacob cited this approach in *European Central Bank v Document Sec. Sys. Inc.* [2008] EWCA Civ 192 (Court of Appeal for England and Wales, Mar. 19, 2008).

[205] Cremers, Invalid but Infringed, *supra* note 67, 18.

[206] Zivilprozessordnung [ZPO] [Code of Civil Procedure], §709 (Ger.).

[207] Cremers, Invalid but Infringed, *supra* note 67, 12.

[208] *Supra* note 74.

[209] Art. 33-3, UPCA.

examining validity when deciding on requests for a provisional suspension of compulory enforcement of an injunction with respect to the question of whether the underlying decision is obviously incorrect with a substantial risk of the patent to be revoked.[210]

5.2 Mechanism to Address Specialization Concerns

The Japanese Supreme Court's transfer rule effectively prevents Japanese judges from developing entrenched viewpoints. The UPCA system should adopt a similar mechanism to transfer judges between courts under the UPCA and national courts of a general jurisdiction. The current UPCA requires the highest standard of competence and proven experience in patent litigation for a judicial appointment.[211] Currently, a term of appointment for UPC judges is six years and the judges can be reappointed.[212] This term can be shortened so that the judges can return to their countries of origin to serve at a court of general jurisdiction. Japan's experience supports that exposure to a variety of legal issues would ensure judges' broader viewpoints and commercial sophistication while preventing pro-patent bias and deviation in other areas of law.

The UPCA has already incorporated mechanisms to address lack of expertise concerns that should go side by side with the mechanism to address specialization concerns. Industry is very concerned that patent inexperienced judges would lower the quality of decisions in UPC courts.[213] A survey conducted by the UK Intellectual Property Office demonstrates that industry views the judicial composition and quality as a key for success of the new UPC system.[214] The statute for implementing the UPCA requires that every panel of the court of first instance must

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[210] Zivilprozessordnung [ZPO] [Code of Civil Procedure], §§ 707, 719 (Ger.); Takenaka, Patent Enforcement, *supra* note 26, 405.

[211] Art. 15(1), UPCA.

[212] Statute of the Unified Patent Court (hereinafter UPC Statute) <https://www.unified-patent-court.org/sites/default/files/upc-agreement.pdf> accessed October 16, 2017.

[213] Jn Pagenberg, 'How Will the Judges of the UPC be Chosen and Appointed? Will Highest Quality Be Replaced by Broad Geographical Diversity?' (2014) Am. Intell. Prop. L. Ass'n Ann. Meeting (hereinafter Pagenberg, UPC Judges).

[214] L McDonagh, Intellectual Prop. Office, *Exploring Perspectives of the Unified Patent Court and Unitary Patent within the Business and Legal Communities* (2014) 24 <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/328035/UPC_Study.pdf> accessed October 16, 2017.

have a multinational composition.[215] It also requires appointment of judges on as broad as possible geographical basis.[216] Because patent litigation has been concentrated in Germany, the UK, the Netherlands and France, judges from countries other than these nations do not have real experience in adjudicating patent cases. The UPCA makes clear that such patent inexperienced generalist judges are still qualified for appointment once they take courses and receive specialized training.[217] Practitioners do not view theoretical training through courses as equivalent to real practical experience and thus having a mix of patent experienced and inexperienced judges on the panel would dilute the court's patent expertise.[218]

Contrary to such concerns, Japan's experience has evidenced that patent inexperienced judges play an important role in legal innovations through percolation by bringing information on local industry and new ideas. Half of IP High Court judges are generalist judges without any patent experience.[219] The generalist judges do not have any special training on patent law or technology upon their appointments. Nevertheless, they learn very quickly the necessary theory and practice in adjudicating patent cases because legal issues in patent cases are actually not very different from legal issues in commercial disputes.

Moreover, the UPCA has already incorporated an important mechanism to ease the burden of adjudicating patent cases involving complex technology. The UPCA agreement allows the appointment of technically qualified judges upon the request of a party or the court's own request at the Court of First Instance.[220] It requires that the Court of Appeals include two technically qualified judges in any panel.[221] Patent inexperienced judges defer to technically qualified judges to address technical issues so that they can concentrate on the non-technical legal issues. U.S. critics of the Federal Circuit may raise a concern over technically qualified judges for their lack of exposure to non-patent-related legal issues.[222] The experience of the judicial research official system in Japanese courts negate such concern: As long as judges from

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215 Art. 8(1), UPCA.
216 Art. 3(2), UPC Statute.
217 Art. 2(3), UPC Statute.
218 Pagenberg, UPC Judges, *supra* note 213, 1–2.
219 JPAA, Iimura Interview, *supra* note 90, 33.
220 Art. 8(5), UPCA.
221 Art. 9(1), UPCA.
222 R C Dreyfuss, 'An International Perspective I: A View from the United States', in J Pila & Ch Wadlow (eds) *The Unified EU Patent System* (Hart

different disciplines respect their expertise, legally qualified judges with their broad legal experiences will bring well-balanced patent litigation outcomes. The UPCA system is better than the Japanese system because technically qualified judges are formally appointed and participate in a panel on an equal footing with legally qualified judges. This gives parties a chance to correct any misunderstanding of technology when they communicate with judges through exchange of briefs and during oral hearings.

As the U.S. pre-Federal Circuit experience indicates, it is most important for the UPCA courts to adopt the EPO case law for patentability, at least at the beginning. Otherwise many patents that the EPO granted would be invalidated when they are enforced at the UPCA courts. The EPO case law has developed bright line rules such as the problem–solution approach for uniformity of examination since the EPO was established.[223] These bright line rules should lower the cognitive burdens on patent inexperienced judges.[224] Critics of the bright line rules may urge UPCA courts to eliminate EPO's bright line rules.[225] However, Japanese experience suggests that bright line rules are effective for letting patent inexperienced but legally qualified judges focus on legal issues. Moreover, bright line rules bring a uniformity among judges coming from different countries and training backgrounds, even if UPCA courts develop their own optimal case law on patentability independently from the EPO in the long run.[226]

6. CONCLUSION

Japan's experiment with a specialized adjudication system through the creation of the IP High Court as a semi-independent court has been quite successful in achieving at least one of the two goals set on its establishment: the emphasis on Japan's commitment to IP. With respect to efficiency through faster dispute resolution, it remains to be seen as the

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Publishing: Oxford, 2015) 145, 157 (hereinafter Dreyfuss, International Perspective).

[223] Jonathan Galloway et al., *Intellectual Property Law* (3rd ed., London: Routledge 2010) 187.

[224] Lee, Two Cultures, *supra* note 161, 29.

[225] Dreyfuss, International Perspective, *supra* note 222, 154.

[226] S Luginbuehl, 'An Institutional Perspective I: The Role of the EPO in the Unitary (EU) Patent System', in J Pila & Ch Wadlow (eds) *The Unified EU Patent System* (Hart Publishing: Oxford, 2015) 45.

Supreme Court of Japan has become more active in intervening in the IP High Court's patent law-making. Learning from the U.S. experience, Japan's IP High Court has effectively avoided the cost of specialization. By incorporating a traditional mechanism to prevent bias, Japan has localized the U.S. model of IP judiciary best practice, thereby providing another best practice for IP judiciary in civil law countries. The UPCA should follow this example by incorporating mechanisms equivalent to Japan's transfer rule to address specialization concerns and to maintain judges' broad viewpoints.

In spite of critiques highlighting the cost of specialization, the U.S. Federal Circuit has contributed extensively to the harmonization of procedural aspects of patent enforcement systems worldwide by serving as best practice for a specialized court in adjudicating patent disputes. The U.S. experimentation with specialization on a district court level is still underway through the Patent Pilot Program. The United States can learn from the Japanese experience on the concentration of technology-related IP jurisdiction and its effective use of judicial officials. As Prof. Dreyfuss adequately proposes,[227] the Federal Circuit should continue to improve both substantive and procedural aspects of patent law through dialogues with Japan's IP High Court, UPC and other IP specialized courts to promote legal innovations.

[227] Dreyfuss, International Perspective, *supra* note 222, 159.

17. Europe's bold experiment: lessons learned from America's patent law experience

Craig Allen Nard

In *Kimble v Marvel Entertainment*,[1] Justice Kagan of the United States Supreme Court wrote that, '[b]y contrast with the Sherman Act, the patent laws do not turn over exceptional law-shaping authority to the courts'.[2] This exercise of judicial restraint and concomitant nod to legislative primacy—so called 'statutory stare decisis'—are arguably strained characterizations of the comparative historical roles played by the Congress and the American courts in the context of patent law. In the United States, while the Congress and United States Patent and Trademark Office (USPTO) are important institutional players, it is the judiciary that has and continues to serve as patent law's principal policy driver.

The common law has been the dominant legal force in the development of American patent law for over 200 years. Accordingly, the patent code can be viewed as a common law enabling statute, leaving ample room for courts to fill in the interstices of the patent code or to create doctrine emanating solely from Article III's domain. Indeed, a significant portion of American patent law, including some of the most important and controversial doctrines, is either built upon judicial interpretation of elliptical statutory phrases or is devoid of any statutory basis whatsoever.

[1] 135 S.Ct. 2401 (2015).

[2] Ibid. 2413. The Court also noted '[t]he patent laws are not like the Sherman Act, which gives courts exceptional authority to shape the law and reconsider precedent based on better economic analysis'. Ibid. 2404–05. The Sherman Act is the name given to the antitrust or competition laws of the United States. See 15 U.S.C.A. § 1 *et seq.*

Thus, while Congress and the patent office each have a hand in constructing the latticework of patent law, judges are the principal architects.[3]

Judicial stewardship of the patent space can be seen as an institutional advantage, one that compares favorably to punctuated and, potentially more distortive, congressional action.[4] The judge is closer to the inside dynamic that is unique to each of the divergent interests that participate in the patent system. Each interest has its own norms and customs, each

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[3] See C A Nard, 'Legal Forms and the Common Law of Patents' (2010) 90 B.U. L. Rev. 51 (discussing the dominance of the common law in the development of patent doctrine and policy). See also D S Chisum, 'Reforming Patent Law Reform' (2005) 4 J. Marshall Rev. Intell. Prop. L. 336, 347 (noting '[i]n the 215 year history of the United States patent system, Congress has rarely purported to "reform" the system. Indeed, I am not sure that it has ever done so since the 1836—or even since the 1793 Act'); Arti K Rai, 'Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform' (2003) 103 Colum. L. Rev. 1035, 1041 (stating 'the history of the patent statute as well as its language strongly suggest that Congress has delegated policymaking responsibility in patent law to the judiciary'). See generally Shyam Balganesh (ed.) *Intellectual Property and the Common Law* (Cambridge: Cambridge University Press 2015).

[4] From 2005 to 2009, Congress unsuccessfully sought to reform the patent statute. See Patent Reform Act of 2009, S. 515, 111th Cong.; Patent Reform Act of 2009, H.R. 1260, 111th Cong.; Patent Reform Act of 2008, S. 3600, 110th Cong.; Patent Reform Act of 2007, S. 1145, 110th Cong. (as amended by Senate, Jan. 24, 2008); Patent Reform Act of 2007, H.R. 1908, 110th Cong. (as amended by House, Sept. 4, 2007); Patent Reform Act of 2006, S. 3818, 109th Cong.; Patent Reform Act of 2005, H.R. 2795, 109th Cong. The failure to enact reform legislation has largely been blamed on the divergent views of the pharmaceutical industry, on the one hand, and the information technology and financial services industry on the other hand. See Dan L Burk & Mark A Lemley, *The Patent Crisis and How the Courts Can Solve It* (New York: The University of Chicago Press Books 2009) 101 ('The pharmaceutical and biotechnology industries opposed virtually all elements of patent reform directed at abuse. … On the other side, the software, electronics, Internet, and telecommunications industries generally lined up behind reform, but expressed skepticism toward those few reforms the pharmaceutical industry supported …'). Pharma/Biotech and IT were represented respectively (although not exclusively) by the Coalition for 21st Century Patent Reform and The Coalition for Patent Fairness. See Coalition for Patent Fairness <www.patentfairness.org> accessed Oct. 27, 2009; The Coalition for 21st Century Patent Reform <www.patentsmatter.com> accessed Oct. 27, 2009. Two other noteworthy coalitions include Innovation Alliance and Manufacturers Alliance on Patent Policy. See Innovation Alliance <http://www.innovationalliance.net> accessed Oct. 27, 2009; Manufacturing Alliance on Patent Policy <http://www.mfgpatentpolicy.org> accessed Oct. 27, 2009.

is impacted by the patent system in varying ways and to varying degrees, and the common law, although imperfect,[5] is more likely to develop doctrine that reflects the combined legitimate expectations of all interests. Indeed, the common law 'projects its roots more deeply and intimately into human interaction than does statutory law'.[6] In addition, the common law allows for a certain flexibility, or a 'resistance to systematization' as Eben Moglen noted.[7] Despite its deep allegiance to tradition, crust forms more easily on statutory law than the common law.

In contrast, the European legal tradition on the continent has been one dominated by civil law. Much has been written on the nuances as well as the differences and similarities between common and civil legal systems,[8] but for our purposes we only need glean from this literature the fact that the civil law and its focus on codification has generally circumscribed judicial discretion to a much greater extent that the common law and its doctrine of *stare decisis*. And it is within this context that European patent law, which found its first significant expression in the fifteenth century Venetian city-state,[9] can now conceivably shake-up the civil law's

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[5] See for example, R Pound, 'Common Law and Legislation' (1908) 21 Harv. L. Rev. 383. Judicial power in the patent system has not always been exercised in the most judicious manner. The 1940s witnessed an anti-patent bias in the Supreme Court, and today, the same drivers that motivated Congress to repeatedly visit the patent code have spilled over to the high court and Federal Circuit Court of Appeals, who over the past several years have used their common law powers to 'correct' what is perceived to be an overly pro-patent environment.

[6] L Fuller, *Legal Fictions* (New York: Stanford University Press 1967) 1. A more lighthearted way to think about the common law is to view it in the context of the comparative approaches of English and French landscaping. As Andreas Kluth wrote, the French approach 'is a top down notion of order, … a mastery of nature' whereas 'the English way is to integrate the human into nature, to adjust to the spontaneous or "bottom-up" order of nature itself'. Andreas Kluth, 'French & Anglo-Saxon Ways of Thinking', in Hannibal and Me: Life Lessons in History <http://andreaskluth.org/2010/04/25/french-anglo-saxon-ways-of-thinking/> accessed Oct. 11, 2017.

[7] E Moglen, *Legal Fictions and Common Law Theory: Some Historical Reflections* <http://moglen.law.columbia.edu/publications/fict.html> accessed Oct. 11, 2017.

[8] See for example, M Schmiegelow & H Schmiegelow, (eds), *Institutional Competition between Common Law and Civil Law: Theory and Policy* (Berlin: Springer 2014).

[9] The Venetian statute of 1474 established a foundation for the world's first patent system and prompted one historian to proclaim that 'the international patent experience of nearly 500 years has merely brought amendments or

cabining force and offer the newly created European patent judges a degree of discretion that potentially maps more closely to the American model than *droit civil*. Thus, Europe's bold experiment.

THE EXPERIMENT

While it is common to refer to patents that issue from the European Patent Office (EPO) as 'European Patents', there is no such thing as a European patent that provides a unitary right in all member states of the European Patent Convention (EPC) or European Union. The EPC contains substantive laws relating to patentability, but these laws are almost exclusively applicable to the process of obtaining patent rights. A patent issuing from the EPO eventually becomes a bundle of individual national patents based on the countries designated by the applicant. Thus, while the process of obtaining rights is centralized, enforcement is a matter of national law. As Article 64(3) of the EPC states, '[a]ny infringement of a European patent shall be dealt with by national law'.[10] This disparate enforcement structure has been of particular concern within the European patent community and beyond. As noted in a report produced by the EPO in 2006, the present enforcement structure:

> Is a *fragmentation of the European market*, as it is impossible to ensure that a European patent yields a uniform level of protection throughout all states. The disparities between the national systems as regards the litigation of European patents are thus prejudicial to the free movement of goods in Europe and counteract progress towards the creation of an environment conducive to free competition.[11]

There have been two noteworthy responses to these concerns. First, the idea of a community wide patent was first raised at the Luxembourg

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improvements upon the solid core established in Renaissance Venice'. B Bugbee, *Genesis of American Patent and Copyright Law* (New York: Public Affairs Press 1967) 24. For a detailed discussion of the creation of the Venetian patent statute from a public choice perspective, see C A Nard & A P Morriss, 'Constitutionalizing Patents: From Venice to Philadelphia' (2006) 2 Rev. L. & Econ. 223, 233–58. Or, to paraphrase the American philosopher, Alfred North Whitehead, all modern patent regimes consist of a series of footnotes to the Venetian patent statute of 1474.

[10] Article 64(3), European Patent Convention.

[11] Assessment of the Impact of the European Patent Litigation Agreement (EPLA) on Litigation of European Patents (EPO 2006), para 8 (emphasis in original).

Community Patent Convention in 1975, which would have created a unitary patent right within the European Union. Although this idea sounds attractive, it has been mired in difficulty from the very beginning, despite several attempts to revisit the proposal. The principal failure to adopt a community patent regime relates to difficulties on a common language(s) for the patent and the fact that the role of national patent offices would be diminished as well as that of translators. Under the current system, once a patent is granted by the EPO, the patent must be translated in an official language of each designated country (i.e., country where the patentee wants protection). If translation is not forthcoming within a prescribed time frame, the patent 'shall be deemed to be void ab initio in that State'.[12] As Laurent Manderieux explains, until recently there was no effective EU consensus on the community patent because:

> Several countries want their language to be an official one for patents, and at the same time, if too many translations are compulsory, operators would find no cost advantage over the present system, and thus they would show no interest in the new system. Also several stages have reservations on how to establish an EU-wide jurisdiction which could decide on questions regarding an EU-wide patent right.[13]

Indeed, because of translation costs and multiple renewal fees paid to each country where the patent is active, a 'European patent' costs considerably more to obtain and maintain than an American patent.

But there has been significant progress to address these concerns. In December 2012, a vast majority of EU member states—in a noteworthy development—adopted a Unitary Patent regime and Unitary Patent Court. The Unitary Patent can be filed in any of the EU's three official languages, but during a 12-year transition period, the patent filed in either French or German must be translated into English, and a patent filed in English must be translated into any official language of the EU. After the transition period no translation is required. (Spain and Croatia have not joined the Unitary Patent regime as of this writing.) Moreover, there will be a single annual renewal fee covering all countries where the patent is active rather than multiple fees paid to each country.

More pertinent for our purposes, the Unified Patent Court will have courts of first instance and one Court of Appeal, much like the American system. (These courts will be layered over the national court systems in a

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[12] Article 65, European Patent Convention.

[13] L Manderieux, 'Europe's IP Architecture' in Jolly & Philpott (eds) *The Handbook of European Intellectual Property Management* (London: Kogan Page 2007) 3–10.

type of federal model.) With respect to the former, there will be a central division in Paris, one in London for disputes involving chemistry and pharmaceuticals,[14] and one in Munich for mechanical engineering disputes. The Paris, London, and Munich courts will have jurisdiction over revocation actions (invalidity) and declarations of non-infringement. In addition, there will be local or regional divisions (also courts of first instance) that will hear infringement and counter-revocation claims. Revocation proceedings commenced in the central division or its two sections will be stayed if a subsequent infringement action has been filed with a local or regional court. The appellate court (Europe's Federal Circuit) is located in Luxembourg. In addition to traditional judges (lawyers), the courts of first instance and the court of appeal will, unlike the American system, include technically trained judges.[15]

The creation of a new court system outside of the national model leads to the question of source of law. This question is addressed in Article 24 of the Agreement on a Unified Patent Court ('Agreement'), which states the sources of law include EU law, the Agreement itself, European Patent Convention, international agreements, and national law.[16] What is interesting for our purposes, of the 89 provisions of the Agreement, only six relate to substantive law; and of these, the text reveal ambiguities and gaps that position the Unitary Patent Court judge in a common law-like role, compelled to lend clarity and fill in the interstices of the legislative enactment.[17] The same holds true for the European Patent Convention and other sources to be drawn upon by the UPC judge.

A sampling of some of the provisions in the Agreement and EPC show the significant interpretive room for judges. For example, Article 25 of the Agreement states:

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[14] It is unclear how Brexit affects the London location.

[15] Having technical judges in addition to lawyers is, in my opinion, an advantage of the European model.

[16] For the Unitary Patent Court to go into effect, it must be ratified by 13 EU member countries, including Germany, France, and the United Kingdom. As of this writing, eight EU countries have ratified, and of the three major countries, only France has ratified. But the expectation is the court will receive the necessary ratifications and go into effect in 2017. For more on the court, *see* <http://www.epo.org/law-practice/unitary.html> accessed Oct. 11, 2017.

[17] The Agreement for a Unitary Patent Court states: 'that the Unified Patent Court should be a court common to the Contracting Member States and thus part of their judicial system, with exclusive competence in respect of European patents with unitary effect and European patents granted under the provisions of the EPC'.

A patent shall confer on its proprietor the right to prevent any third party not having the proprietor's consent from the following:

(a) making, offering, placing on the market or using a product which is the subject-matter of the patent, or importing or storing the product for those purposes;
(b) using a process which is the subject-matter of the patent or, where the third party knows, or should have known, that the use of the process is prohibited without the consent of the patent proprietor, offering the process for use within the territory of the Contracting Member States in which that patent has effect;
(c) offering, placing on the market, using, or importing or storing for those purposes a product obtained directly by a process which is the subject-matter of the patent.

Comparatively, section 271(a) of the American patent code reads: 'whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor [*sic*], infringes the patent'.

The meaning of 'making' in Article 25 of the Agreement is not self-evident. The same holds true for 'make' in section 271 of the U.S. Code. Thus, in *NTP, Inc. v Research in Motion*,[18] the U.S. Court of Appeals Federal Circuit[19] held that '[t]he use of a claimed system under section 271(a) is the place at which the system as a whole is put into service, *i.e.*, the place where control of the system is exercised and beneficial use of the system obtained'.[20] Moreover, the court distinguished between processes and devices, stating '[u]nder section 271(a), the concept of "use" of a patented method or process is fundamentally different from the use of a patented system or device' because a 'method or process consists of one or more operative steps, and, accordingly, "[i]t is well established that a patent for a method or process is not infringed unless all steps or stages of the claimed process are utilized"'.[21]

The EPC, another important source of law for Unitary Court patent judges, is certainly substantively more robust than the Agreement. But the EPC also contains numerous clauses that invite interpretation. For example, section 1 of Article 52 on 'Patentable Inventions' states:

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[18] 418 F.3d 1282 (Fed. Cir. 2005).

[19] The Federal Circuit is the counterpart to the Unitary Patent Court of Appeals in Luxembourg.

[20] 418 F.3d, 1317.

[21] Ibid., 1317–18.

(1) European patents shall be granted for any inventions, in all fields of technology, provided that they are new, involve an inventive step and are susceptible of industrial application.
(2) The following in particular shall not be regarded as inventions within the meaning of paragraph 1:
  (a) discoveries, scientific theories and mathematical methods;
  (b) aesthetic creations;
  (c) schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers;
  (d) presentations of information.

Every one of the exclusions in section 2, as well as in Article 53,[22] is ambiguous.

The American counterpart provision, section 101, is equally, if not more so, cryptic: 'Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.' So how do the Americans approach this ambiguity? The statutory subject matter requirement has historically not been a significant obstacle to patentability. One of the more common reasons courts cite for their reluctance to find subject matter ineligible is that 'times change' and '[t]echnology and other innovations progress in unexpected ways'.[23] Thus, patent law has erred on the side of inclusiveness regarding subject matter, leaving the requirements of novelty, nonobviousness, and, to a lesser extent, disclosure, to do the heavy lifting. But in recent years the Supreme Court and, in turn, the USPTO, have reinvigorated the eligibility requirement. Indeed, inclusiveness does not mean section 101 is without filters; products of nature, abstract ideas, and physical phenomena remain outside the realm of patentable subject matter. And these common law filters are most germane when applied to life science, business method, and software-related inventions. In this regard, section 101 has been viewed as the gateway to patentability.[24]

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[22] What are 'inventions the commercial exploitation of which would be contrary to "ordre public" or morality'?

[23] *Bilski v Kappos*, 561 U.S. 593, 605 (2010). See Mark A Lemley, Michael Risch, Ted Sichelman & R Polk Wagner, 'Life after Bilski' (2011) 63 Stan. L. Rev. 1315, 1326 (stating '[t]he flexibility of any subject matter requirement is paramount given the rapidly changing nature of technology').

[24] *In re Comiskey*, 554 F.3d 967, 973 (Fed. Cir. 2007) (stating '[o]nly if the requirements of § 101 are satisfied is the inventor "allowed to pass through to" the other requirements for patentability, such as novelty under § 102 and, of pertinence to this case, non-obviousness under § 103'); In *re Bergy*, 596 F.2d

The judge-made filters relating to eligibility (e.g., abstract ideas, law of nature, and natural phenomena)—which form the foundation of the so-called exclusionary principle—have featured prominently in Supreme Court patent case law, but understanding what an 'abstract idea' or 'law of nature' is remains elusive. In fact, the Court acknowledged as much when it wrote, '[W]e need not labor to delimit the precise contours of the "abstract ideas" category in this case.'[25] And Justice Breyer, during oral arguments, noted *Mayo* did no more than to 'sketch an outer shell of the content', leaving it up to the Federal Circuit and the patent bar to fill in the interstices.

While the definitional particulars of the common law filters may be indefinable, the underlying rationale is clear: preventing preemption of fundamental principles. This rationale is based more on preventing broad claim scope that would impede improvement activity than it does on some vague notion of 'abstract idea'. The *Alice* Court categorized the claimed invention as an 'abstract idea' (without defining what an abstract idea is) based on the premise that intermediated settlement was 'a fundamental economic practice long prevalent in our system of commerce'.[26] This is a preemption argument.[27]

The final example of parallel ambiguity of the European and American patent doctrines relates to non-literal infringement. Article 69(1) of the EPC states: 'The extent of the protection conferred by a European patent or a European patent application shall be determined by the claims.

952, 960 (CCPA 1979) (referring to section 101, the court stated, 'The question here, as it has always been, is: are the inventions claimed of a *kind* contemplated by Congress as possibly patentable *if* they turn out to be new, useful, and unobvious within the meaning of those terms as used in the statute') (emphasis in original). For commentary on the gatekeeper function of the eligibility requirement, see Kevin Emerson Collins, 'Claims to Information Qua Information and a Structural Theory of Section' (2008) 11, 4 I/S: J.L. & Pol'y for Info. Soc'y, 101; Kevin Emerson Collins, 'Propertizing Thought' (2007) 60 SMU L. Rev., 317.

[25] *Alice Corp. Pty. Ltd. v CLS Bank Intern.*, 134 S.Ct. 2347, 2357 (2014).

[26] Ibid., 2356.

[27] Does it logically follow that claiming a 'fundamental economic practice' ineluctably leads to the conclusion that what is being claimed is an abstract idea? Not really. In fact, the Court, relying on *Bilski*, rejected the more restricted definition offered by the Petitioner, namely 'abstract ideas are limited to preexisting, fundamental truth[s] that "exist in principle apart from any human action"'. The Court was concerned with overbroad claim scope. Awkwardly fitting the claimed invention into one of the common law filters was a vehicle serving a larger policy objective.

Nevertheless, the description and drawings shall be used to interpret the claims.' There is also a Protocol to Article 69, which is worth quoting in full:

> Article 69 should not be interpreted as meaning that the extent of the protection conferred by a European patent is to be understood as that defined by the strict, literal meaning of the wording used in the claims, the description and drawings being employed only for the purpose of resolving an ambiguity found in the claims. Nor should it be taken to mean that the claims serve only as a guideline and that the actual protection conferred may extend to what, from a consideration of the description and drawings by a person skilled in the art, the patent proprietor has contemplated. On the contrary, it is to be interpreted as defining a position between these extremes which combines a fair protection for the patent proprietor with a reasonable degree of legal certainty for third parties.
>
> For the purpose of determining the extent of protection conferred by a European patent, due account shall be taken of any element which is equivalent to an element specified in the claims.

If any provision in the EPC reveals the shortcomings of language it is Article 69 and its Protocol.[28] These texts try to capture the incentive dynamic associated with non-literal infringement, oftentimes known as the Doctrine of Equivalents (DOE), but other than express the broad principle that courts should strike a balance between 'literal meaning' and 'fair protection' when determining infringement, there is little legislators can do *ex ante*.

The elusiveness of certainty has been a factor in the American Congress's decision not to address non-literal infringement. There is not a single provision in the American patent code relating to the Doctrine of Equivalents, reflecting not only the common law heritage of American

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[28] Article 69 of the European Patent Convention reflects a compromise between the U.K., which emphasized claim language, and Germany, which focused more on the nature of the underlying invention. Under Article 69, the 'extent of the protection conferred by a European patent ... shall be determined by the terms of the claims'. But 'the description and drawings shall [also] be used to interpret the claims'. The U.K./German compromise is also reflected in the 'Protocol on the Interpretation of Article 69'. Two important cases issued by the House of Lords interpreted Article 69. In *Catnic Components Ltd. v Hill and Smith*, [1982] RPC 183 (HL), Lord Diplock stressed that a patent's specification should be given a purposive, rather than a literal, interpretation, which meant that a patent should be construed through the eyes of a person skilled in the art. See also *Kirin-Amgen, Inc. v Hoechst Marion Roussel Ltd.*, [2004] UKHL 46, [2004] All ER (D) 286 (Oct. 1, 2004).

patent law, but the futility of a statutory approach. The origins of the Doctrine of Equivalents in the United States date to the early nineteenth century when courts assumed a generous posture toward the scope of the patentee's protection. The patent claim was an innovation of the patent bar in the early nineteenth century, and was not instituted formally into the statutory framework until 1836.[29] As such, prior to 1836, juries determined infringement based on what can be characterized as a 'substantiality' test, not unlike modern copyright law. The jury would compare the patentee's invention as set forth in the specification with the accused device. For example, Justice Story charged the jury in *Odiorne v Winkley*,[30] '[t]he first question for consideration is, whether the machines used by the defendant are substantially, in their principles and mode of operation, like the plaintiff's machines'; and adding, '[m]ere colorable alterations of a machine are not sufficient to protect the defendant'.[31]

By the mid-nineteenth century, the fundamental tension between the DOE and providing clear notice in one's property right became apparent.[32]

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[29] See John F Duffy, '*The Festo* Decision and the Return of the Supreme Court to the Bar of Patents' (2002) Sup. Ct. Rev. 273, 309 (stating the patent claim 'arose not from any administrative, judicial, or legislative requirement. Instead, it was an innovation of patent attorneys, and it was formulated to protect and to expand the rights of patentees').

[30] 18 F. Cas. 581 (C.C.D. Mass. 1814).

[31] Ibid., 582. The use of the word 'substantially' in the context of patent infringement can be traced to the 1817 cases of *Gray v James*, 10 F. Cas. 1015, 1016 (C.C.D. Pa. 1817), and *Lowell v Lewis*, 15 F. Cas. 1018, 1021 (C.C. Mass. 1817). In the former, Circuit Judge Washington charged the jury that discerning differences in principle between two machines can be difficult, '[b]ut we think it may safely be laid down as a general rule, that where the machines are substantially the same, and operate in the same manner, to produce the same result, they must be in principle the same'. In *Lowell*, Circuit Justice Story instructed the jury that 'whether the defendant has violated the patent-right of the plaintiff ... depends upon the fact, whether the pumps of Mr. Perkins and of Mr. Baker are substantially the same invention. I say substantially the same invention, because a mere change of the form or proportions of any machine cannot, per se, be deemed a new invention.'

[32] For instance, in *Winans v Denmead*, a noteworthy nineteenth-century DOE case, four Justices dissented to an infringement finding under the DOE. In an opinion by Justice Campbell, the dissent emphasized that the patentee confined his claim to the conical form and may have been 'unwilling to expose the validity of his patent, by the assertion of a right to any other'. The Patent Act required patentees to 'specify and point out' what they claim as an invention. Requiring less than precision and particularity in claims would be 'mischievous'

This tension remains in contemporary patent law.[33] On the one hand, there is an interest—primarily governed by section 112—in providing a clear definition of the scope of the patent right because lack of clarity can impede legitimate investment in technology-based products and services. Certainty is the key in any property-rights system. On the other hand, strict and literal adherence to the written claim in determining the scope of protection ignores the imprecise nature of language and can invite unfair subversion of a valuable right, which would substantially diminish the economic value of patents. As Judge Learned Hand noted, courts 'resort to the "doctrine of equivalents" to temper unsparing logic and prevent an infringer from stealing the benefit of the invention'.[34]

Somewhere beyond the literal claim language resides an 'optimal' claim scope in any given case, and where exactly to strike this optimal balance is one of the most, if not the most, important and difficult questions in patent law. Using the DOE to strike an optimal balance has proved challenging because there are different views of what 'optimal' means. As Justice Robin Jacob of the Court of Appeals in England and Wales stated, '[t]here is no general "doctrine of equivalents"; any student of patent law knows that various legal systems allow for such a concept, but that none of them can agree what it is or should be'.[35] Thus, the question becomes, on a case-by-case basis, which institution is best situated to engage the DOE: the courts or legislators?

FINAL THOUGHTS

It is difficult to overstate the importance of the imminent creation of the Unitary Patent Court system. Given the broad geographic effect of its decisions, the courts will have much more power and influence than any of the national courts. With this power comes tremendous interpretive responsibility, but also an opportunity for the judges to become principal policy drivers of European patent law. The assumption of this American-like judicial role is based on three observations: (1) There are inherent

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and 'productive of oppressive and costly litigation, of exorbitant and unjust pretensions and vexatious demands'. 56 U.S. (15 How.) 330, 347 (1853).

[33] Indeed, some commentators have argued for the abolishment of the DOE. See, for example, Joshua D Sarnoff, 'Abolishing the Doctrine of Equivalents and Claiming the Future After *Festo*' (2004) 19 Berkeley Tech. L.J., 1157.

[34] *Royal Typewriter Co. v Remington Rand, Inc.*, 168 F.2d 691, 692 (2d Cir. 1948).

[35] *Rockwater Ltd. v Technip France SA*, [2004] EWCA Civ 381 ¶ 41.

limitations to language, particularly in the context of legislatively regulating the unforeseeable and unpredictable nature of technological innovation; (2) courts have a comparative advantage to evolve patent policy in a manner more consistent with the norms of the various technological communities, many having divergent views of the patent system; and (3) the complexity, frequency, and pace of change within a creative community far outstrips a legislator's capacity to predict and act. It also reflects the global nature of patent law.

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PART III

Intellectual property and international adjudication

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18. The interpretation of international intellectual property instruments in national, regional and international courts and tribunals

Susy Frankel

INTRODUCTION

A consistent approach to the interpretation of international intellectual property (IP) treaties in international, regional and even national courts and tribunals, while unlikely to yield identical interpretations in all forums, could give greater certainty to the scope and flexibilities of internationally agreed IP rules. International IP rules can, in many instances, be complied with in different ways because they are minimum standards, not harmonized rules. This is an important feature of international IP because it enables national and regional legislatures to utilize the flexibilities that minimum standards provide in order to suit local needs and conditions. These flexibilities include limitations and exceptions, but also relate to the scope of the rights, such as the definition of 'inventive step' in patent law.[1] Interpretation should neither defeat the role of rights and flexibilities working together, by focusing only on one part of the IP regime, nor should interpretation fail to provide guidance about the scope of obligations and flexibilities. This is not to suggest that

[1] Agreement on Trade-Related Aspects of Intellectual Property Rights, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 UNTS 299; 33 ILM 1197, adopted on 15 April 1994, entered into force 1 January 1995 ('TRIPS Agreement'), Article 27 provides that parties shall provide for patents for inventions 'provided that they are new, involve an inventive step and are capable of industrial application'. There is no definition of inventive step (or the other criteria) and it is widely recognized that this is because it is not possible to easily agree a single definition as standards vary around the world.

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an interpreter should not have at the center of their task finding the meaning of an identified provision, which may be a right or an exception, but rather the interpreter should not forget the context of that provision and the object and purpose of both the provision and the agreement overall. Given the diversity of national and regional IP regimes, a consistent approach to interpretation becomes increasingly important to avoid the dominance of the kind of approach that is exclusively concerned about protection of rights and tends to put to one side other interests that are an integral part of the international rules. A consistent approach to interpretation should not be confused with harmonization of rules. Rather consistency in interpretation is more likely to recognize why rules are not harmonized and when diverse approaches function to support legitimate policy goals.

Harmonizing effects are usually thought of as resulting in higher standards of rights or prescribing flexibilities, such as a mandated exception of access to copyright works for the visually impaired.[2] Harmonization, however, is not the result of consistent interpretative practices. Consistency in the interpretative method that tribunals use would not create harmonization because it would interpret existing rules, not add to them. Also, a harmonized one-size-fits-all approach is not only inconsistent with the differing stages of development found in various economies, but it is also in contrast to the flexibilities that are one of the central features of minimum standards.

Consistency in the method of interpretation that tribunals use should be beneficial in many ways. Such consistency is more likely, than varying interpretative methods are, to create a body of tribunal decisions and knowledge about the function and scope of international IP rules. While individual decisions resolve disputes between the parties to those disputes and contribute to the relevant jurisdiction's development of its law, that is a different matter from a contribution to a body of knowledge about the international minimum standard rules that national laws must comply with. In part a body of knowledge already exists about those rules, but it is somewhat inconsistent, fractured and even potentially misleading about the role of international IP rules. A body of knowledge acquired, however, through consistent interpretation of the international rules could

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[2] The Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled, 27 June 2013 <http://www.wipo.int/wipolex/en/details.jsp?id=13169> accessed 11 October 2017.

form a kind of international IP acquis,[3] which could also provide guidance for legislators about how to calibrate[4] certain minimum standards. From this there might also emerge a kind of equilibrium or even agreed standards in some areas where such agreement might be appropriate. A kind of equilibrium should provide the basis for greater certainty and understanding about international IP rules, including that they allow for both the protection of rights and flexibility of those rights in order to recognize other interests. Overall greater understanding about the reasons for both protection and flexibility should achieve better outcomes that are consistent with countries' diversity, particularly relating to stages of development. Better outcomes would be those that are aligned with innovation incentives that are supposed to underlie the rationales for and consequently the scope of IP law. This chapter first discusses the rules of interpretation and how they are variously applied. Section 2 analyses the methods of interpretation that the Dispute Settlement Body, of the World Trade Organization (WTO), uses and its evolving holistic approach. Section 3 considers interpretation approaches beyond the WTO. This section first discusses the national and regional institutions and actors involved and the different influences that effect how interpretation takes place in those tribunals. Next, expansion of IP dispute settlement to investment tribunals and the relevance of interpretation in those tribunals are discussed. Finally, some concluding thoughts discuss what could be achieved if national, regional and international courts and tribunals used the Vienna Convention on the Law of Treaties (VCLT) rules to their fullest and most consistent effect.[5]

1. TREATY INTERPRETATION

Treaty interpretation has internationally agreed rules about how interpretation is to be done. These rules have a detailed history in international

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[3] Professors Dinwoodie and Dreyfuss have proposed the development of an international acquis as method of clarifying the normative underpinnings of intellectual property law and integrating the various parts of the international system. G. B. Dinwoodie and R. Dreyfuss, *A Neofederalist Vision of TRIPS: The Resilience of the International Intellectual Property Regime* (New York: Oxford University Press, 2012).

[4] On the calibration narrative, *see* D. J. Gervais, 'IP Calibration', in D. J. Gervais (ed.), *Intellectual Property, Trade and Development* (2nd ed, New York: Oxford University Press, 2014).

[5] Vienna Convention of the Law of Treaties, 1115 UNTS 331, adopted 23 May 1969, entered into force 17 January 1980 (VCLT).

law and were codified in 1969. The rules are found in the VCLT. The central rule of the VCLT is found in Article 31.1 which provides: 'A treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose.' It is well accepted that the principle of good faith is an overarching one meaning that the interpretation of a treaty should not reach an absurd result or a result that is inconsistent with the object and purpose of the treaty.[6] Ordinary meaning is discerned through the meaning of the relevant treaty terms in context and in light of the treaty's object and purpose.[7] The history of the VCLT's development is important because it details the different approaches to interpretation and ultimately which approach was supposed to prevail in the codified rules. The International Law Commission (ILC) when codifying the rules of interpretation (as part of the VCLT) envisaged that treaty interpretation be 'a single combined operation', also described as a kind of unity of interpretation.[8]

In discussing the nature of this 'single combined operation' the ILC, in 2013, emphasized that a combined operation includes not only all of the parts of Article 31, but also Article 32 of the VCLT, which allows the negotiating history to be considered as a supplementary means of interpretation. Article 32 provides:[9]

> Recourse may be had to supplementary means of interpretation, including the preparatory work of the treaty and the circumstances of its conclusion, *in order to confirm the meaning resulting from the application of article 31*, or to determine the meaning when the interpretation according to article 31:
>
> (a) leaves the meaning ambiguous or obscure; or
> (b) leads to a result which is manifestly absurd or unreasonable.

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[6] Ian Sinclair, *The Vienna Convention on the Law of Treaties* (2nd ed., Manchester and Dover, NH: Manchester University Press, 1984), at 120 notes that while good faith may seem abstract, it is an objective criterion.

[7] See generally, Sinclair, ibid.; R. Gardiner, *Treaty Interpretation* (New York: Oxford University Press, 2008) and on treaty interpretation at the WTO see, I. van Damme, *Treaty Interpretation by the WTO Appellate Body* (New York: Oxford University Press, 2009).

[8] *Yearbook of the International Law Commission 1966*, vol. II, pp. 219–220, para. (8). This yearbook is discussed in *Report of the International Law Commission*, Sixty-fifth session (6 May–7 June and 8 July–9 August 2013), (Report ILC 65th session).

[9] VCLT, above n 5 (emphasis added).

In other words, recourse to supplementary material, and in particular to negotiating history, is not a first step in the interpretative process, but it is part of that process. This is important because not only has the WTO leapt to negotiating history with undue haste in IP disputes,[10] but also discussion about the meaning of text often begins with those involved in a dispute asserting that one or other country's position in that negotiation is, in fact, the meaning of the final text.[11] Such a subjective position simply cannot be correct. A treaty is an agreement between many parties.

The ILC in its deliberations about the VCLT rules of interpretation being a single combined operation also used the phrase 'the various means of interpretation' and stated:[12]

> This term captures not only the 'supplementary means of interpretation', which are referred to in article 32, but also the elements mentioned in article 31 ... The term 'means' does not set apart from each other the different elements, which are mentioned in articles 31 and 32. It rather indicates that these means each have a function in the process of interpretation, which is a 'single', and at the same time a 'combined' operation.

From this we can discern that the ILC is of the view that the Article 32 process is an important step that is combined and follows the Article 31 analysis. If it preceded the Article 31 analysis it cannot perform its function of confirming the Article 31 ordinary meaning interpretation. The importance of Article 32 is that it reinforces Article 31. The single operation concept illustrates that all parts are important. As a matter of practicality the steps of analysis must be undertaken both one at a time and in the particular order that the VCLT rules indicate, but that order does not amount to a hierarchy that would undermine the combined approach. So, for example, an interpretation that stopped after a consideration of an aspect of ordinary meaning, such as looking at the dictionary

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[10] S. Frankel, 'WTO Application of "the Customary Rules of Interpretation of Public International Law" to Intellectual Property' (2006) 46 Virginia Journal of International Law 365, 412.

[11] See, for example, Letter from Eli Lily & Co. to Gov't of Can. 3 (7 November 2012) <http://www.italaw.com/sites/default/files/case-documents/italaw1172.pdf> accessed 10 October 2017, where the statement is made that the correct interpretation of Article 27 of the TRIPS Agreement is US and EU law, because they are the WTO members who proposed the provision in the draft. First, this is not a correct approach to interpretation of international agreements as it does not follow the VCLT rules. Second, EU and US law are not the same.

[12] Report ILC 65th session, above note 8, paras 13–14.

and submissions about the dictionary meanings, would fall short of the ILC expectations of a single combined operation.

Many treaty interpreters indicate, in one way or another, that their role is to give effect to the intentions of the parties, but the methods of recognizing intention can lead to significant differences in approach. VCLT rules do not specify that the purpose of interpretation is to find the intent of the parties, but rather the rules are to interpret that intent objectively through ordinary meaning of the words used. One approach that is often used to discern intent is to examine the negotiating history, but this falls foul of the VCLT because as explained above negotiating history is supplementary and follows, but should not precede, the analysis of ordinary meaning under Article 31.[13]

Another approach to interpretation is that the focus should be on the ordinary meaning of the text, in isolation, as the best indicator of intention.[14] This textual approach can be very literal and formalistic involving excessive reliance on dictionary definitions or ignoring context, for example. As a consequence such an approach can result in misinterpretation as ordinary meaning is treated as somehow separate from context. Ordinary meaning is not simply a matter of looking up words in a dictionary, however. As Wittgenstein said 'meaning is use'.[15] In VCLT terms, use might be described as context and the matters that must be 'taken into account, together with context'.[16] Those matters to be taken into account include specific definitions about subsequent agreement and subsequent practice of the parties to the treaty.[17] Subsequent agreement and subsequent practice are the kind of 'use' that is authoritative for interpretation.

The literal textual approach can be contrasted to reliance on object and purpose as a matter of objective intent, which is sometimes called the

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[13] *Canada- Pharmaceuticals*, at ¶ 7.29. See also discussion in Frankel, above n 10, at 396–397.

[14] A. Fachiri, 'Interpretation of Treaties' (1929) 23 American Journal of International Law 745.

[15] L. Wittgenstein, Philosophical Investigations I. §43.

[16] VCLT, above n 5, 31.3.

[17] Ibid., in relevant part provides:

'3. There shall be taken into account, together with the context:

(a) any subsequent agreement between the parties regarding the interpretation of the treaty or the application of its provisions;

(b) any subsequent practice in the application of the treaty which establishes the agreement of the parties regarding its interpretation.'

teleological approach.[18] The teleological approach also stands in contrast to those who consider that intent is discovered through a closer look at the preparatory work of a treaty, which was rejected in the process of formulating the VCLT.[19] There is no reason why the textual and teleological approaches to interpretation need to be mutually exclusive, however. The holistic approach, which the WTO now advocates, is in many ways the equivalent of recognizing and utilizing both textual and teleological approaches within the VCLT framework.

2. THE EVOLVING HOLISTIC APPROACH OF THE WORLD TRADE ORGANIZATION

The single operation concept has been developed by the WTO as a 'holistic approach'. The WTO Appellate Body, in 2009, said that the holistic approach should lead to 'an interpretation that is harmonious and coherent and fits comfortably in the treaty as a whole so as to render the treaty provision legally effective'.[20] Ordinary meaning is informed by context and object and purpose precisely because ordinary meaning without context can often be more than one meaning. Context can serve to distinguish which literal (or dictionary) meaning is the correct one. 'A word or term may have more than one meaning or shade of meaning but the identification of such meaning in isolation only commences the process of interpretation, it does not conclude it.'[21] And context should not be arbitrarily determined but ought to be in light of the object and purpose of the treaty and not run counter to it. The rules of interpretation 'must be understood and applied as connected and mutually reinforcing components of a holistic exercise'.[22] It has taken several years for the WTO to reach this understanding of how the VCLT rules are to be used and much of the relevant discussion has taken place in disputes relating to agreements other than the TRIPS Agreement. In the interpretation of the TRIPS Agreement the holistic approach has not yet been fully used or

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[18] L. Crema, 'Disappearance and New Sightings of Restrictive Interpretations(s)' (2010) 21 European Journal of International Law, 681.

[19] H. Lauterpacht, 'Restrictive Interpretation and the Principle of Effectiveness in the Interpretation of Treaties' (1949) 26 British Yearbook of International Law 49.

[20] Appellate Body Report, *United States – Continued Existence and Application of Zeroing Methodology*, 4 February 2009, WT/DS350/AB/R, 269.

[21] Ibid.

[22] Ibid.

even acknowledged. The holistic approach is, however, equally relevant to TRIPS as the WTO Dispute Settlement Understanding (DSU)[23] applies equally to all WTO agreements.[24] In addition, the preamble of TRIPS explicitly acknowledges 'the applicability of the basic principles of GATT [General Agreement on Tariffs and Trade] 1994'.

The ideal interpretative methodology is to assess effectively all steps, found in VCLT Article 31, in the interpretation process, but often interpreters have a tendency towards elevating one factor over another and this has been evident at the WTO. In the reports of TRIPS-related disputes there has often been an emphasis on one part of the VCLT rules, such as the ordinary meaning of the text, rather than discussing either context or the object and purpose of the treaty in any meaningful way. Article 27.1 of the TRIPS Agreement provides an example of a provision that is often given an interpretation seemingly devoid of both context and object and purpose. Article 27 requires that all members of TRIPS[25] must provide for patents for inventions *in all fields of technology* provided they are new, involve an inventive step and are useful.

In the WTO panel report, *Canada-Pharmaceuticals*, the part of Article 27 relating to non-discrimination between fields of technology was,

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[23] Understanding on Rules and Procedures Governing the Settlement of Disputes, 15 April 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 2, Legal Instruments—Results of the Uruguay Round, 1869 UNTS 401, 33 ILM 1225 (1994), (DSU).

[24] As the WTO agreements are a single undertaking they are not, strictly speaking, all separate treaties. Hence the context of TRIPS and it subject and purpose include the broader trade-related purposes. See WTO, Legal texts: the WTO agreements, <https://www.wto.org/english/docs_e/legal_e/ursum_e.htm> accessed 12 May 2018.

[25] Least-developed countries do not have to comply with this obligation yet. TRIPS Agreement, Article 66 provides for delayed periods for compliance. There have been successive extensions of this period. See Council for Trade-Related Aspects of Intellectual Property Rights, Extension of the Transition Period under Article 66.1 for Least Developed Country Members, Decision of the Council for TRIPS, IP/C/64, 11 June 2013, <https://www.wto.org/english/tratop_e/trips_e/ldc_e.htm> accessed 18 August 2016, and Council for Trade-Related Aspects of Intellectual Property Rights, Extension of the Transition Period Under Article 66.1 of the TRIPS Agreement for Least Developed Country Members for Certain Obligations with Respect to Pharmaceutical Products Decision of the Council for TRIPS, IP/C/73, 6 November 2015, <https://www.wto.org/english/tratop_e/trips_e/ldc_e.htm> accessed 18 August 2016.

together with Article 30,[26] the subject of the dispute.[27] The panel report records Canada's submissions that object and purpose of the TRIPS Agreement must be used in the interpretation of Articles 27 and 30. The panel stated:[28]

> Obviously, the exact scope of Article 30's authority will depend on the specific meaning given to its limiting conditions. The words of those conditions must be examined with particular care on this point. Both the goals and the limitations stated in Articles 7 and 8.1 must obviously *be borne in mind when doing so* as well as those of other provisions of the TRIPS Agreement which indicate its object and purposes.

After that statement, however, it is difficult to discern from the report how, if at all, those Articles were 'borne in mind'. They were certainly not directly or holistically used in interpretation in a way that was expressed in the report. That was problematic not only because it confirms that object and purpose were not taken into account, but also because it provided little guidance for legislatures and courts.[29]

It was not until the Doha Declaration on Public Health emphasized the crucial role of object and purpose, as articulated in Articles 7 and 8, that the WTO members have properly acknowledged importance of those articles.[30] The Doha Declaration stated:[31] 'In applying the customary rules of interpretation of public international law, each provision of the TRIPS Agreement shall be read in the light of the object and purpose of the Agreement as expressed, in particular, in its objectives and principles.' At this writing, there has not been a panel or Appellate Body report that has utilized fully Articles 7 and 8 and the role of object and

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[26] TRIPS Agreement, Article 30 is the three step test for patents providing that 'Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties'.

[27] WTO Panel Report, *Canada-Patent Protection of Pharmaceutical Products*, WT/DS114/R, 17 March 2000 ('*Canada-Pharmaceuticals*').

[28] Ibid., [7.26].

[29] There is also a lack of discussion of object and purpose in the copyright-related three step test report, WTO Panel Report, *United States—Section 110 (5) of the US Copyright Act*, WT/DS160/R, 27 July 2000.

[30] WTO Ministerial Conference, Fourth Session, Doha (9–14 November 2001), Declaration on the TRIPS Agreement and Public Health, WT/MIN(01)/Dec/2, available at <http://www.wto.org> accessed 12 May 2018.

[31] Ibid., 5a.

purpose of the TRIPS Agreement in its interpretation. It seems likely that the plain packaging of tobacco dispute will provide that opportunity.[32]

WTO panels and the Appellate Body in their approach to interpretation operate under certain rules which, while they are important, have apparently influenced their interpretative approach in a particularly formalistic direction. Those rules include that the role of panels and the Appellate Body is to interpret the Agreements, but not to add to them. The rules of the WTO require that dispute settlement is limited to interpretation of the existing text and not to add to or diminish it in any way. The WTO Dispute Settlement Understanding provides:[33]

> The dispute settlement system of the WTO is a central element in providing security and predictability to the multilateral trading system. The Members recognize that it serves to preserve the rights and obligations of Members under the covered agreements, and to clarify the existing provisions of those agreements in accordance with customary rules of interpretation of public international law. Recommendations and *rulings of the DSB cannot add to or diminish the rights and obligations provided in the covered agreements.*

A full consideration of context and object and purpose as a holistic approach in determining ordinary meaning does not require adding to or diminishing the TRIPS Agreement, but rather should serve to clarify meaning. Given that the prohibition is against both adding to and diminishing the rights and obligations, it could be said that failure to utilize the full holistic approach to interpretation and to take a literal textual approach has a diminishing effect on the TRIPS Agreement that does not sit well with Article 3.2 of the DSU and, therefore, such an approach should be avoided.

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[32] The plain packaging dispute was brought against Australia by five parties. The matter was heard with all parties together. One of the original claimants, the Ukraine, withdrew from the proceedings. At this writing the panel report is pending, see *Australia—Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging* <https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds434_e.htm> accessed 11 October 2017. See discussion in S. Frankel and D. Gervais, 'Plain Packaging and the Interpretation of the TRIPS Agreement' (2013) 46:5 Vanderbilt Journal of Transnational Law 1149–1214.

[33] DSU, above n 23, Article 3.2 (emphasis added). The point is somewhat repetitively underscored in Article 19.2 which provides 'In accordance with paragraph 2 of Article 3, in their findings and recommendations, the panel and Appellate Body cannot add to or diminish the rights and obligations provided in the covered agreements.'

As a relatively new international institution, which was in the late 20th and early 21st centuries establishing its legitimacy, the WTO dispute settlement body has been very conscious of its role as interpreter not negotiator. In the TRIPS context, in one of the earliest disputes, the Appellate Body said that a legitimate expectation of the parties was not an appropriate analysis of TRIPS obligations because it risked adding to the Agreement.[34] In particular, the Appellate Body emphasized that as non-violation disputes were not available in relation to the TRIPS Agreement the notion of legitimate expectations should not be used in dispute settlement and not as an interpretative device. A non-violation dispute is a dispute that does not involve a textual violation of a WTO agreement, which is a violation dispute, but nevertheless there is a complaint that an agreed benefit arising from the agreement has been nullified or impaired.[35] The Appellate Body was of the view that the concept of legitimate expectations in the context of the VCLT rules means that:[36]

> The legitimate expectations of the parties to a treaty are reflected in the language of the treaty itself. The duty of a treaty interpreter is to examine the words of the treaty to determine the intentions of the parties. This should be done in accordance with the principles of treaty interpretation set out in Article 31 of the Vienna Convention. But these principles of interpretation neither require nor condone the imputation into a treaty of words that are not there or the importation into a treaty of concepts that were not intended.

This is consistent with DSU Article 3.2, as quoted above. It possibly obscures the point, however, that even non-violation disputes are subject to VCLT rules as any legitimate expectation cannot be one that does not arise from interpretation of the treaty language. In the report, the overall approach of the Appellate Body was to ensure that there was no

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[34] WTO Panel Report, *India—Patent Protection for Pharmaceutical and Agricultural Chemical Products*, WT/DS50/R, 5 September 1997 (*India Patents*).

[35] General Agreement on Tariffs and Trade 1994 (GATT), 15 April 1994, Marrakesh Agreement Establishing the World Trade Organization (WTO Agreement), Annex 1A, Article XXIII. For discussion of non-violation and TRIPS, see S. Frankel, 'Challenging Trips-Plus Agreements: The Potential Utility of Non-Violation Disputes' (2009) 12:4 Journal of International Economic Law 1023–1065. See T. Cottier and K. N. Schefer, 'Good Faith and the Protection of Legitimate Expectations in the WTO', in M. Bronckers and R. Quick (eds), *New Directions in International Economic Law* (The Hague: Kluwer Law International, 2000), 60, who mention that the Appellate Body has rejected the use of legitimate expectations other than in non-violation cases.

[36] *India Patents*, above n 34, part V.

suggestion of non-violation complaints being possible in relation to the TRIPS Agreement.[37]

As discussed above, as the TRIPS Agreement falls within the auspices of the WTO it has predominantly been subject to a textual and formalistic approach to interpretation.[38] Yet, the text of international IP treaties, such as the TRIPS Agreement, suggests that the formalism of the textual approach is not appropriate. The text, even if read literally, reveals that intellectual property has diverse objectives, which sometimes function as competing forces. These are found in the preamble and in Articles 7 and 8. The preamble includes recognition that IP rights are both private rights and that they have 'underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives'. These objectives embody competing goals as do Articles 7 and 8 of the TRIPS Agreement.

Within the context of settlement of disputes at the WTO the VCLT rules of interpretation are a kind of procedural code. That tends to place their interpretative role in a different light from an international institution that has the role of interpreting treaties but not settling disputes such as the World Intellectual Property Organization (WIPO). As the organization that administers many intellectual property agreements, WIPO's interpretation of its agreement is authoritative. As the WTO, however, produces written decisions on disputes it has become a leading source of interpretation of international IP law.

The literature tends to place institutional approaches to interpretation in one or other group. The WTO, for example, many agree, belongs to the approach that is more textual and, thus, more literal and formalistic in its interpretative method. Whereas institutions that address directly as their main function issues such as environmental protections, human rights and even some investment disputes are often in the more teleological, object and purpose school.[39] The role of international IP agreements could be said to transcend these groups. The protection of innovative

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[37] There is a moratorium on non-violation complaints for the TRIPS Agreement, Article 64.2, which has been extended and not ever resolved to introduce such complaints, see WTO, 'TRIPS: 'non-violation' complaints (article 64.2) Background and the current situation, <https://www.wto.org/english/tratop_e/trips_e/nonviolation_background_e.htm> accessed 11 October 2017.

[38] See discussion in Dinwoodie and Dreyfuss above n 3.

[39] See for example J. Pauwelyn and M. Elsig, 'The Politics of Treaty Interpretation: Variations and Explanations Across International Tribunals', in J. C. Dunoff and M. A. Pollock (eds), *Interdisciplinary Perspectives on International Law and International Relations: The State of the Art* (New York:

medicines, for example, is core to patent law, and the availability of medicines is of substantial concern to human rights (the right to health). Another example is the protection of copyright being core to intellectual property, but the rights of indigenous peoples to control their cultural heritage may need to be balanced against copyright rules.

So far the WTO's attention to the holistic approach that the VCLT rules mandate has not been particularly evident in IP. There are few TRIPS cases that reach a full panel report and even fewer to Appellate level.[40] As discussed some of these decisions are very literal in their approach to ordinary meaning. A more holistic approach to interpretation, however, was apparent in the US China Enforcement report.[41] That dispute concerned a number of issues including interpretation of the TRIPS Agreement requirements that members have 'effective'[42] criminal procedures and penalties.[43] This obligation, which takes the form of a broad minimum standard, is read in conjunction with the TRIPS Agreement requirement that 'Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.'[44] In other words TRIPS does not prescribe the exact form or modality of implementation, but rather that is a matter of national autonomy.[45] Members still have to give effect to the provisions of the agreement.[46] This is an important aspect of the structure of a minimum standards agreement, which as a framework for intellectual property precedes TRIPS and is found in the Berne Convention and Paris Convention, in particular.[47]

Cambridge University Press 2013) 445–473; available at SSRN: <http://ssrn.com/abstract=1938618 or http://dx.doi.org/10.2139/ssrn.1938618>

[40] See D. Gervais in this volume.

[41] WTO Panel Report, *China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, WT/DS362/R, adopted 26 January 2009.

[42] Article 42(1), TRIPS Agreement.

[43] Article 61, TRIPS Agreement.

[44] Article 1(1), TRIPS Agreement.

[45] Some provisions of TRIPS are more prescriptive than others and come closer to prescribing the form of domestic law. Contrast, for example, Article 15, about the subject matter of trademarks, with the enforcement provision of Article 41.

[46] Article 1(1), TRIPS Agreement.

[47] Berne Convention for the Protection of Literary and Artistic Works, 9 September 1886, as last revised 24 July 1971, 828 U.N.T.S. 221 and Paris Convention Paris Convention for the Protection of Industrial Property, 14 July 1967, 828 U.N.T.S. 305.

The very nature of the provision at issue, in the China Enforcement dispute, meant that the panel was engaged in an exercise of looking at the mode of adoption of and also the policy underlying China's law. The panel noted that even though members have autonomy over how to implement the TRIPS Agreement they must implement it. The minimum standards framework that gives autonomy over mode of implementation is connected to the interpretation process because this structure and the flexibility it entails is part of the context of individual articles in the TRIPS Agreement and is key to understanding the object and purpose of the TRIPS Agreement.[48] This is one of the structural features of TRIPS, which because it is central to how the Agreement is implemented, is part of its object and purpose that must be taken into account in a holistic approach.

The competing goals of IP require a broader and more robust interpretative approach. The starting point for that approach is to analyze how to give fuller effect to the VCLT phrase 'object and purpose'. That is the beginning because doing so is not always straightforward and for the most part is a process that needs to be developed rather than it being obvious in specific contexts how to do so. The problem of literal interpretation of the kind applied in *Canada-Pharmaceuticals* is not, however, confined to the WTO. It also occurs in some domestic and regional courts.

3. INTERPRETATION BEYOND THE WTO

3.1 National and Regional Institutions and Actors Involved in Interpretation

In spite of the ILC's single operation approach and the WTO's evolving holistic approach to the VCLT rules of interpretation, international organizations and institutions do not always apply the rules in the same

[48] As Robert Howse discusses this structural feature of TRIPS is also a reason why the TRIPS Agreement should not be seen as an incomplete contract, see R. Howse, 'China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights. (2011) 10:1 World Trade Review 87, 89. I would add that the incomplete contract theory is contestable in the TRIPS context because it suggests the possibility of completion, whereas the intentions of the parties may be that it is complete enough and that exact harmonization (completion) is undesirable. This is particularly so where intellectual property is designed to be calibrated to stages of development.

way and, indeed, the rules are flexible enough and leave discretion for a diversity of approaches to occur. This diversity of application is increased when regional and national approaches are added to those at the international level.

In general there is an ever evolving relationship between national law and international law. As a general principle international law is said to have developed from national laws and national laws and state practice used to explain international norms. In the IP context national laws were used to draft the provisions of the TRIPS Agreement, the Berne Convention and the Paris Convention. There is a crucial distinction, however, between a national law as a starting point and using national law for treaty interpretation. A national law developed into an agreement among several parties must be interpreted as the latter; the former is supplementary material relevant to the Article 32 analysis only.

It is almost an inevitable result that the minimum standards framework of the TRIPS Agreement and of all international IP agreements with substantive norms that the implementation of these standards is diverse. To the extent that national and regional courts interpret international agreements their approaches are also likely to also be diverse. This is likely as in addition to different standards courts have different interpretative practices relating to their own law. As one commentator has said 'when subjected to differing interpretive systems, the original international rule and the national variants of that rule may start to lead different lives'.[49]

Methods of interpretation are in part influenced by institutional approaches to interpretation. The actors in interpretation become very important to the likely outcome. As Professor Klabbers has said:[50]

> The meaning of a treaty is not carved in stone at the moment of its conclusion: instead, debates continue, albeit no longer on what words to use in the treaty, but on how to give meaning to the words that are used. Whoever controls this process controls the meaning of the treaty, and therewith controls whether or not the obligations … are bearable or onerous, and controls whether the acts of States are faithful implementations of a text, or amount to breaches of that same text.

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[49] A. Nollkaemper, 'Grounds for the Application of International Rules of Interpretation in National Courts', in H. Philipp Aust and G. Nolte (eds), *The Interpretation of International Law by Domestic Courts* (New York: Oxford University Press, 2016), 34–35.

[50] J. Klabbers, 'On Rationalism in Politics: Interpretation of Treaties and the World Trade Organization' (2005) 74 Nordic Journal of International Law 74, 405–428, 406–407.

It is not simply the numbers of interpreters involved that create the diversity, but the differing purposes of their interpretation of international IP treaties. If national and regional courts and tribunals apply the VCLT at all, they do not do so in order only to interpret a particular treaty, but rather use that treaty interpretation to inform the interpretation of the regional or national law at issue. There should not be any expectation that domestic law interpretation methods can be consistent among jurisdictions. Indeed, this is the antithesis of sovereign legal systems. Consistency of interpretation of international IP law as a matter of international rules is, however, another matter. Even if the ultimate purpose of treaty interpretation is to inform the interpretation and application of domestic or regional law, the correct interpretation principles to use, in relation to that treaty, are the VCLT. In other words, although the VCLT rules are the international rules for interpretation their purpose is to interpret international treaties whatever the forum in which the interpretation takes place. However, it is precisely because of the use of treaties is different among different aspects of the legal system that the VCLT rules are applied variably.[51] There is no one overall oversight of VCLT rule application among courts and tribunals.

To continue with Article 27 of the TRIPS Agreement, as an example, sub-paragraphs 2 and 3 of Article 27 permit exclusions from patentability on certain grounds.[52] Yet, it is not uncommon for the requirement that patents be available in all fields of technology to be interpreted narrowly as if it requires that everything is patentable in domestic courts. For example, the Court of Appeal in New Zealand has held that the patentability of new uses of known pharmaceutical compounds was somehow required by TRIPS Article 27.[53] A similar approach can be found in the European Union. In the decision, which is more often cited

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[51] See generally, H. Philipp Aust and G. Nolte (eds), *The Interpretation of International Law by Domestic Courts: Uniformity, Diversity, Convergence* (New York: Oxford University Press, 2016).

[52] Articles 27(2) and (3) TRIPS Agreement permit exceptions, respectively, for matters of *ordre public*; diagnostic, therapeutic and surgical methods for the treatment of humans or animals; and relating to plants and animals.

[53] *Pharmaceutical Management Agency v Commissioner of Patents* [2000] 2 NZLR 529, at [64]. The case is a judicial review of the Commissioner of Patents' decision to allow for the patenting of new medical uses in Swiss claim form. Similar to the EU approach, the Swiss claim form is necessary in order to avoid the exception from patentability of methods of medical treatment.

for its finding that the European Commission has the exclusive competence in relation to TRIPS, it was also said that:[54]

> Article 27 ... must be interpreted as meaning that the invention of a pharmaceutical product such as the active chemical compound of a medicinal product is, in the absence of a derogation in accordance with Article 27(2) or (3), capable of being the subject-matter of a patent, under the conditions set out in Article 27(1).

Although both judgments recognized the possibility of exceptions, under 27.2 and 27.3, neither explicitly recognized the impact of those exceptions on the interpretation of 27.1 either as a matter of context or that within 27.1 there is flexibility in relation to key terms. These terms are 'invention', 'novel', 'inventive step', 'useful' and 'field of technology'. None of these terms is defined and it is well recognized that the rules around them are, therefore, subject to domestic application which will vary.[55] In this way both of the Courts seemed to place excess weight on 'the field of technology' as a matter of ordinary meaning.

When interpreting 'field of technology' the issue is what is meant by a pharmaceutical patent. The issue is no longer whether pharmaceutical processes for product patents can be excluded. That was a pre-TRIPS position that TRIPS changed, by requiring that patents be available for products and processes.[56] This change meant that there was agreement that a new compound for a new use is patentable, but second and subsequent uses of known compounds are another matter over which there remains no international agreement. The field of technology requirement in Article 27 does not deal with this nuance. There is a difference between describing a 'field of technology' as pharmaceuticals and requiring patents for second uses where under some national laws such patents are not novel or do not involve an inventive step. In other words, not patenting second uses because of inventive step or novelty requirements at domestic law, or an exclusion based on Article 27.3, does not violate the field of technology requirement. Also, neither the European Court of Justice nor the New Zealand Court of Appeal explicitly used the VCLT to analyze the TRIPS Agreement, yet both courts used notions of ordinary meaning. The judgment summary of the European

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[54] Case C-414/11, *Daiichi Sankyo Co. Ltd, Sanofi-Aventis Deutschland GmbH v DEMO Anonimos Viomikhaniki kai Emporiki Etairia Farmakon* (2013) EU:C:2013:520.

[55] Members must, however, give effect to the provisions of the Agreement, TRIPS Agreement, Article 1.1.

[56] Article 27, TRIPS Agreement.

Court of Justice even states 'that interpretation follows from the actual wording of the TRIPS Agreement'.

3.2 Investment Tribunals and VCLT Rules of Interpretation

In addition to national and regional courts, and international institutions that interpret the TRIPS Agreement, the international IP regime now also involves investment tribunals. Investment tribunals should also follow the VCLT rules as they interpret international investment agreements, which exist in the form of chapters in free trade agreements and as bilateral investment treaties. Investment commentators have noted that the VCLT rules are not always effectively used in investment tribunal deliberations.[57]

The framing of IP as investment does not only add to the corpus of owners' rights, but also reconceptualizes IP as it disconnects and potentially displaces innovation incentive rationales. In contrast, trade-related rationales do not directly, or even necessarily, cause this sort of displacement of incentive rationales because even though trade rules recognize that IP can be used to make money that is not the exclusive or functional justification for the rules.[58] As Professor Dreyfuss and I have shown, the investment-related assetization move is a qualitative shift, which has

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[57] T. Walde, 'Interpreting Investment Treaties: Experiences and Examples', in Ch Binder, U. Kriebaum, A. Reinisch and S. Wittich (eds), *International Investment Law for the 21st Century: Essays in Honour of Christoph Schreuer* (New York: Oxford University Press, 2009), 730 and 746. And see M. Reisman and M. Arsanjani, 'Interpreting Treaties for the Benefit of Third Parties: The "Salvors Doctrine" and the Use of Legislative History in Investment Treaties' (2010) 104 *American Journal of International Law* 597, 598–599 (noting that the VCLT rules 'have become something of a clause de style in international judgments and arbitral awards: whether routinely and briefly referred to or solemnly reproduced verbatim, they are not always systematically applied'); 'Is the Vienna Convention on the Law of Treaties Dead in BIT Arbitration', Oxford University Press Webinar, <http://oxia.ouplaw.com/page/475/webinar-1-is-the-vienna-convention-on-the-law-of-treatiesdead-in-bit-arbitration> accessed 11 October 2017; O. K. Fauchald, 'The Legal Reasoning of ICSID Tribunals – An Empirical Analysis' (2008), 19 European Journal of International Law 301.

[58] As discussed above, the TRIPS Agreement embodies other objectives and principles such as those found in Articles 7 and 8 and the exception to rights and the flexibilities in implementation of the Agreement.

serious consequences for the international IP system and its role in regulating the use of knowledge assets.[59]

Like the non-investment disputes discussed earlier in this chapter, investment claimants and tribunals so far seem to have taken a literal and formalistic approach to the notion of IP as an investment. By virtue of IP being named in the coverage or definition provisions of an agreement IP amounts to an investment. The awards in the trademark-related *Philip Morris v Uruguay*[60] dispute and the patent-related *Eli Lily v Government of Canada*[61] dispute, show that investment tribunals may very well be wary of or disinterested in making normative analyses about what IP means in the investment context. Both awards do not properly engage with the threshold question of what is an IP investment. They do not directly address the question of whether an IP right *alone* is an investment or whether IP rights require other economic features of investment. 'The economic materialization of an investment requires the commitment of resources to the economy of the host state by the claimant entailing the assumption of risk in expectation of a commercial return.'[62]

The inclusion of IP in investment invites a kind of interpretative 'boundary-crossing'[63] between investment and IP agreements. Although IP is often included in an interpretation clause of investment agreements about what those agreements cover, such clauses do not define IP and, thus, that definition must come from outside of investment agreement. The meaning of IP, in the international context, should come from

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[59] R. Cooper Dreyfuss and S. Frankel, 'From Incentive to Commodity to Asset: How International Law is Reconceptualizing Intellectual Property' (2015) 36 Michigan Journal of International Law 101–140.

[60] *Philip Morris Brand Sarl (Switzerland), Philip Morris Products S.A. (Switzerland) and Abal Hermanos S.A. (Uruguay) v Oriental Republic of Uruguay*, ICSID Case No ARB/10/7; award, 8 July 2016.

[61] *Eli Lilly and Company v Government of Canada*, UNCITRAL, ICSID Case No. UNCT/14/2, Final Award, 16 March 2017.

[62] Convention on the Settlement of Investment Disputes between States and Nationals of Other States (1965) – ICSID, Rule 23, see discussion in Zachary Douglas, *The International Law of Investment Claims* (New York: Cambridge University Press, 2009) 161–170.

[63] I borrow this term from José E. Alvarez, 'Beware: Boundary Crossings' in Tsvi Kahana and Anat Scolnicov (eds), *Boundaries of Rights, Boundaries of State* (2014), available at <SSRN: http://ssrn.com/abstract=2498182> accessed 5 April 2016. See discussion of this point in S. Frankel, 'Interpreting the Overlap of International Investment and Intellectual Property Law' (2016) 19 Journal of International Economic Law 121–143.

international IP rules.[64] If investment tribunals are to fully analyze the scope of IP as an investment then such tribunals will need to look outside of investment law and into IP law. This does not mean that such tribunals have jurisdiction to interpret or make rulings about state–state obligations in international IP agreements. Rather, in a manner analogous to the WTO Appellate Body in the *Shrimp Turtle* report,[65] other international agreements can provide expert guidance about the meaning of a term that is not defined in the agreement before the investment tribunal.

If investment dispute interpretation uses the full ambit of the VCLT rules holistically, including object and purpose, then investment tribunals could recognize not only the rights granting role of IP (the 'investment'), but also the calibration role of its flexibilities and exceptions. This approach could create the kind of crossover between IP and investment that does not progressively reconceptualize the nature of IP. The IP and investment boundary-crossing should not be one that results in the destruction of IP policy and norms agreed internationally on one side of the boundary.[66] Rather, the crossover should involve a mingling that retains the necessary characteristics of both IP and investment.

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[64] It is possible that one trade agreement will include separate investment and IP chapters in the same overall agreement. That does not make any substantive difference to this boundary-crossing analysis, however.

[65] The landmark dispute for allowing the use of non-WTO sources to interpret WTO obligations is *WTO Appellate Body Report, United States—Import Prohibition of Certain Shrimp and Shrimp Products*, WT/DS58/AB/R, 12 October 1998). See Frankel, above n 10, at 424 stating: 'In the Shrimp Turtle report, the Appellate Body considered other rules of international law to interpret the phrase "exhaustible natural resources" found in Article XX(g) of GATT. The interpretation was necessary to consider the legitimacy of the United States ban on the importation of shrimp that was fished in a way that "incidentally" killed sea turtles. In order to interpret the phrase, the Panel and the Appellate Body referred to the United Nations Convention on the Law of the Sea (UNCLOS) in support of the conclusion that natural resources included both living and non-living resources.'

[66] Frankel, above n 57.

CONCLUDING THOUGHTS: WHAT COULD THE CONSISTENT USE OF VCLT RULES ACHIEVE?

VCLT rules matter because if used effectively they can create better guidance for future disputes and law making. 'The principles of interpretation are thus important for the integrity of the international intellectual property regime.'[67]

A formalist approach to treaty interpretation has been dominant in international IP agreements. However, there is a developing use of holistic and more object and purpose driven interpretation, which this chapter suggests should be more widely used. One might ask what the full application of VCLT principles in varying courts and tribunal would look like. The answer is not straightforward in the context of IP where the subject matter of the treaties is dynamic and, in the case of the TRIPS Agreement, the wording of the Agreement embodies multiple and sometimes competing objectives.

The International Law Commission has observed that in any dispute the interpreter should consider the different approaches to interpretation and the relevance of the different approaches. In its deliberations it recorded that:[68]

> the precise relevance of different means of interpretation must first be identified in any case of treaty interpretation before they can be 'thrown into the crucible' in order to arrive at a proper interpretation, by giving them appropriate weight in relation to each other. The obligation to place 'appropriate emphasis on the various means of interpretation' may, in the course of the interpretation of a treaty in specific cases, result in a different emphasis on the various means of interpretation depending on the treaty or on the treaty provisions concerned.

This comment suggests that a consciousness of the effects of different interpretations could help achieve better interpretation. This chapter goes further to suggest that consistent interpretation using the full holistic approach of the VCLT rules is appropriate for international IP agreements because it would be an effective mechanism to maintain and develop the multiple purposes embodied in the regime.

A consistent approach to interpretation of the international norms, even though distinct from the national discretion in implementing norms, may

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[67] S. Frankel and D. J. Gervais, 'Plain Packaging and the Interpretation of the TRIPS Agreement' (2013) 46 Vanderbilt Journal of Transnational Law 1149, 1151–1152.

[68] Report ILC 65th session, above n 8, (14)–(15).

be seen to create a tension around that discretion. A consistent method of interpretation of the international agreements is not an indirect method of harmonizing laws or interpretation of national laws in national courts. If national and regional courts used VCLT rules to interpret international IP agreements then a body of knowledge and rulings about the context and object and purpose of international IP minimum standards, including both obligations and flexibilities, could emerge. Because that knowledge emerges presently with the use of diverse approaches to treaty interpretation frameworks it cannot collectively develop an agreed understanding of the international system. The use of consistent VCLT based interpretation of international IP agreements has the potential to contribute to the development an international acquis that explicitly recognizes the full ambit of the object and purpose of intellectual property rules.

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19. Investor-state dispute settlement and the Trans-Pacific Partnership

Peter K Yu*

INTRODUCTION

On 4 February 2016, the United States and its eleven trading partners in the Asia-Pacific region signed the Trans-Pacific Partnership (TPP) Agreement in Auckland, New Zealand. Established to cover '40% of global GDP [gross domestic product] and some 30% of worldwide trade in both goods and services',[1] this Agreement contained 30 chapters, including one each on investment (Chapter 9), intellectual property (Chapter 18) and dispute settlement (Chapter 28).

Although policymakers, commentators and civil society organizations have harshly criticized the high standards of intellectual property protection and enforcement in the TPP Agreement, they have only begun to highlight the deleterious impacts of the Agreement's investment chapter, in particular its investor-state dispute settlement (ISDS) mechanism. To its critics, this mechanism is highly problematic because it will allow private intellectual property investors to sue national governments without the support of their home governments. Because noncompliance with intellectual property standards can be interpreted as a failure to protect intellectual property investments, ISDS will further amplify the widely documented deleterious impacts of the TPP intellectual property chapter.

In the past few years the problems caused by the interplay of the intellectual property and investment chapters have become especially salient following Philip Morris' failed attempts to challenge the plain packaging regulations for tobacco products in Uruguay and Australia and Eli Lilly's equally unsuccessful effort to invalidate the patentability

* This chapter draws on research from P K Yu, 'The Investment-Related Aspects of Intellectual Property Rights' (2017) 66 American U L Rev 829.

[1] D A Gantz, 'The TPP and RCEP: Mega-Trade Agreements for the Pacific Rim' (2016) 33 Arizona J of Intl and Comparative L 57, 59.

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requirements in Canada.[2] Philip Morris' complaints have garnered additional attention considering that the tobacco control measures at issue in the Australian case has also been the subject of a trade dispute before the Dispute Settlement Body of the World Trade Organization (WTO).[3] That dispute involved Honduras, the Dominican Republic, Cuba, Indonesia and initially Ukraine as complainants and Australia as the respondent.

Given these recent developments and the high stakes involved, it is understandable why critics have harshly criticized ISDS, and by extension the TPP investment chapter. As US Senator Elizabeth Warren lamented, this mechanism will give large multinational corporations 'the right to challenge laws they don't like – not in court, but in front of industry-friendly arbitration panels that sit outside any court system'.[4] Criticizing Eli Lilly's investor-state dispute with Canada, some commentators also lamented how ISDS provided 'an oversized public insurance scheme for companies that are unwilling to assume the normal risks of doing business'.[5] As if these criticisms were not severe enough, in the run-up to the 2016 US presidential election, Hillary Clinton described ISDS as 'flawed' and called for 'a new paradigm for trade agreements that doesn't give special rights to corporations'.[6] Meanwhile, Donald

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[2] *Philip Morris Brands Sàrl v Oriental Republic of Uruguay*, ICSID Case No ARB/10/7, Award (8 July 2016); *Philip Morris Asia Ltd v The Commonwealth of Australia*, PCA Case No 2012-12, Award on Jurisdiction and Admissibility (17 December 2015); *Eli Lilly & Co v Government of Canada*, ICSID Case No UNCT/14/2, Final Award (16 March 2017).

[3] World Trade Organization (WTO), *Australia – Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WT/DS435/R, WT/DS441/R, WT/DS458/R, WT/DS467/R. Although Ukraine was the first to request consultations on 13 March 2012, it requested the WTO panel to suspend its panel proceedings on 28 May 2015.

[4] D Fulton, 'As Countries Line up to Sign Toxic Deal, Warren Leads Call to Reject TPP' (*Common Dreams*, 3 February 2016) <www.commondreams.org/news/2016/02/03/countries-line-sign-toxic-deal-warren-leads-call-reject-tpp> accessed 7 September 2016.

[5] M Barlow, 'CETA Changes Make Investor-State Provisions Worse' (*Huffington Post*, 2 February 2016) <www.huffingtonpost.ca/maude-barlow/ceta-changes_b_9130538.html> accessed 7 September 2016.

[6] 'Clinton and Sanders Oppose "Lame Duck" Vote on the Trans-Pacific Partnership' (*Oregon Fair Trade Campaign*, 6 May 2016) <www.citizenstrade.org/ctc/oregon/2016/05/05/clinton-and-sanders-oppose-lame-duck-tpp-vote> accessed 10 February 2018.

Trump lambasted the TPP as 'another disaster, done and pushed by special interests who want to rape our country'.[7]

Focusing on ISDS as a dispute settlement institution, this chapter critically examines the intellectual property rights holders' growing use of this institution to resolve international intellectual property disputes. It begins by highlighting the criticisms of ISDS, including those that are related to the arbitration process, the arbitrators' interpretations and final arbitral outcomes. The chapter then examines the various upgrades that the TPP Agreement has provided to the ISDS mechanism. The chapter concludes by outlining the conceptual and institutional improvements that could strengthen ISDS.

In January 2017, US President Donald Trump signed a memorandum directing the United States to withdraw from the TPP,[8] putting the partnership on life support.[9] A year later, however, the eleven remaining TPP partners concluded the talks regarding the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Although this transition instrument suspended those provisions concerning 'investment agreement' and 'investment authorisation' in the TPP investment chapter, the remainder of the chapter stays intact.[10]

In light of these limited changes, this chapter focuses its analysis on the TPP investment chapter. Such a focus will be important, as the ISDS mechanism established in the TPP chapter is likely to find its way to future bilateral, regional or plurilateral trade or investment agreements. A case in point is the Regional Comprehensive Economic Partnership (RCEP), an alternative mega-regional agreement that is being established by the Association of Southeast Asian Nations (ASEAN), Australia,

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[7] J Hopper and I de la Cuetara, 'Donald Trump Slams Trans-Pacific Partnership as "A Continuing Rape of Our Country"' (*ABC News*, 29 June 2016) <abcnews.go.com/Politics/donald-trump-slams-trans-pacific-partnership-continuing-rape/story?id=40213090> accessed 10 February 2018.

[8] 'Presidential Memorandum regarding Withdrawal of the United States from the Trans-Pacific Partnership Negotiations and Agreement' (2017) 82 Federal Register 8497.

[9] P K Yu, 'Thinking about the Trans-Pacific Partnership (and a Mega-Regional Agreement on Life Support)' (2017) 20 SMU Science and Technology L Rev 97.

[10] Global Affairs Canada, 'Trans-Pacific Partnership Ministerial Statement' Annex II <www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/tpp-ptp/annex2-annexe2.aspx?lang=eng> accessed 11 November 2017.

China, India, Japan, New Zealand and South Korea.[11] As shown in leaked documents, this proposed agreement will include an investment chapter featuring an ISDS mechanism.[12]

1. INVESTOR-STATE DISPUTE SETTLEMENT

Although ISDS is highly attractive to businesses entering countries that have either a limited respect for the rule of law or an underdeveloped, or even undeveloped, judicial system,[13] the ISDS proceedings Philip Morris and Eli Lilly initiated were not intended to address these widely documented problems. Australia and Canada are generally not considered to be countries lacking in respect for the rule of law or a well functioning judicial system. Nor have the governments in these countries been widely criticized for their complicity in acts of piracy and counterfeiting.[14] Instead, these proceedings were merely initiated to undermine the host states' legitimate regulations, such as tobacco control measures or patentability requirements.

To provide a systematic analysis, this section catalogues the various weaknesses of ISDS. After dividing these weaknesses based on whether they are related to the process, interpretations or outcomes, this section discusses each weakness in turn.

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[11] On the RCEP negotiations, see P K Yu, 'The RCEP and Trans-Pacific Intellectual Property Norms' (2017) 50 Vanderbilt J of Transnational L 673, 684; P K Yu, 'TPP, RCEP, and the Crossvergence of Asian Intellectual Property Standards' in S-Y Peng, H-W Liu and C-F Li (eds), *Governing Science and Technology under the International Economic Order: Regulatory Divergence and Convergence in the Age of Megaregionals* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing 2018); P K Yu, 'TPP, RCEP and the Future of Copyright Normsetting in the Asia-Pacific' in S Corbett and J Lai (eds), *Making Copyright Work for the Asian Pacific? Juxtaposing Harmonisation with Flexibility* (Canberra: ANU Press 2018).

[12] Yu, 'The RCEP and Trans-Pacific Intellectual Property Norms' (n 11) 684.

[13] C N Brower and S W Schill, 'Is Arbitration a Threat or a Boon to the Legitimacy of International Investment Law?' (2009) 9 Chicago J of Intl L 471, 479; S Miller and G N Hicks, *Investor-State Dispute Settlement: A Reality Check* (Lanham: Center for Strategic and International Studies 2015) v.

[14] L Vanhonnaeker, *Intellectual Property Rights as Foreign Direct Investments: From Collision to Collaboration* (Cheltenham, UK and Northampton, MA: Edward Elgar Publishing 2015) 172–3; P K Yu, 'The Investment-Related Aspects of Intellectual Property Rights' (2017) 66 American U L Rev 829, 849–51.

1.1 Process-based Weaknesses

The current ISDS process has at least four types of weaknesses. First, arbitration costs can be very high. In general, average costs range from US$8 million to US$10 million and can exceed US$30 million in some cases.[15] These costs could go up to as high as US$70 million, as in the highly unusual Yukos Oil case discussed later in this chapter.[16] Considering that each claim in a WTO dispute generally costs only about US$300,000 to US$400,000 (based on 2004 figures),[17] the costs of ISDS arbitrations are substantially higher.[18] If developing countries already have a difficult time affording the WTO dispute settlement process, the exceedingly high costs of ISDS arbitrations will certainly guarantee that most businesses in these countries will be shut out of the mechanism.

Second, ISDS arbitrators may be partial and unaccountable.[19] For example, these arbitrators may have worked in law firms that have clients in the same industry.[20] They may also have a tendency to serve corporate clients who are similar to those filing ISDS complaints.[21] Indeed, developing country policymakers, academic and policy commentators, and civil society organizations often lament the process's bias towards

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[15] D Gaukrodger and K Gordon, 'Investor-State Dispute Settlement: A Scoping Paper for the Investment Policy Community' (2012) OECD Working Paper on International Investment No 2012/03, 19; M Hodgson, 'Costs in Investment Treaty Arbitration: The Case for Reform' in J E Kalicki and A Joubin-Bret (eds), *Reshaping the Investor-State Dispute Settlement System: Journeys for the 21st Century* (Leiden: Brill Nijhoff 2015) 749.

[16] A Joubin-Bret, *Establishing an International Advisory Centre on Investment Disputes?* (Geneva: International Centre for Trade and Sustainable Development 2015) 2.

[17] G Shaffer, 'Recognizing Public Goods in WTO Dispute Settlement: Who Participates? Who Decides? The Case of TRIPS and Pharmaceutical Patent Protection' (2004) 7 J of Intl Economic L 459, 473.

[18] Joubin-Bret (n 16) 2.

[19] C M Ho, 'Sovereignty under Siege: Corporate Challenges to Domestic Intellectual Property Decisions' (2015) 30 Berkeley Technology LJ 213, 234; J Pauwelyn, 'The Rule of Law without the Rule of Lawyers? Why Investment Arbitrators Are from Mars, Trade Adjudicators from Venus' (2015) 109 American J of Intl L 761, 783.

[20] Gaukrodger and Gordon (n 15) 44; Pauwelyn (n 19) 780; E-U Petersmann, 'Transformative Transatlantic Free Trade Agreements without Rights and Remedies of Citizens?' (2015) 18 J of Intl Economic L 579, 604.

[21] Pauwelyn (n 19) 764.

the interests of transnational corporations.[22] As President Evo Morales of Bolivia declared, 'Governments in Latin America and I think all over the world never win the cases. The transnationals always win.'[23] These sentiments are understandable considering that the majority of the claimants in ISDS cases originated from developed countries.[24]

Third, many of the ISDS proceedings have been kept in secret, and policymakers, commentators and civil society organizations continue to have great difficulty uncovering what happens in these proceedings.[25] For instance, the notice of claim in Philip Morris' ISDS proceeding against Australia was made available only through a request for declassification under the Australian Freedom of Information Act. Compared with ISDS, dispute settlement in the WTO is much more transparent – not only for complainants and respondents, but also for third parties, regardless of whether they intervene or not. Virtually all of the key public documents in the WTO process have been made available on the international trading body's website.

Finally, investors may file frivolous lawsuits, thereby wasting the host state's scarce resources.[26] Even worse, those states that find it costly to go through the ISDS process may be just too eager to change their laws to avoid costly arbitrations. In fact, many of these states may settle disputes even when their laws have already met international standards, such as when they fully comply with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) or other multilateral agreements.[27] Such coerced settlements regardless of compliance with international standards, in turn, would cause the dispute

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[22] S D Franck, 'Development and Outcomes of Investment Treaty Arbitration' (2009) 50 Harvard Intl LJ 435, 450.

[23] L Mazoch, 'Chavez Takes Cool View toward OAS, Says Latin America Better Off without World Bank' (*Associated Press International*, 30 April 2007).

[24] United Nations Conference on Trade and Development (UNCTAD) *World Investment Report 2016: Investor Nationality: Policy Challenges* (Geneva: United Nations 2016) 105.

[25] Ho (n 19) 234; K Miles, 'Reconceptualising International Investment Law: Bringing the Public Interest into Private Business' in M K Lewis and S Frankel (eds), *International Economic Law and National Autonomy* (Cambridge: Cambridge University Press 2010) 295–6.

[26] 'FACT SHEET: Investor-State Dispute Settlement (ISDS)' (*Office of the US Trade Representative*, 11 March 2015) <ustr.gov/about-us/policy-offices/press-office/fact-sheets/2015/march/investor-state-dispute-settlement-isds> accessed 7 September 2016.

[27] Ho (n 19) 222.

settlement process to lose legitimacy.[28] To avoid the challenges posed by ISDS, countries such as Indonesia and South Africa have already started terminating international investment agreements.[29]

1.2 Interpretation-based Weaknesses

The second type of weakness relates to interpretations by ISDS arbitrators. As far as ISDS decisions are concerned, there are no binding precedents.[30] Although *stare decisis* is a special feature of common law, as opposed to civil law, disputing parties from all around the world increasingly expect similar cases to be decided consistently and predictably.[31] For example, WTO panels and the Appellate Body have used previous cases for explanation and support, even though they are not required to follow any precedent.[32] As the Appellate Body reasoned in *Japan – Taxes on Alcoholic Beverages*, the use of earlier relevant cases could help 'create legitimate expectations among WTO Members'.[33]

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[28] P K Yu, 'Digital Copyright Reform and Legal Transplants in Hong Kong' (2010) 48 U of Louisville L Rev 693, 718; P K Yu, 'Tales of the Unintended in Copyright Law' (2015) 67 Studies in L, Politics, and Society 1, 8–9.

[29] B Bland and S Donnan, 'Indonesia to Terminate More than 60 Bilateral Investment Treaties' (*Financial Times*, 26 March 2014) <www.ft.com/cms/s/0/3755c1b2-b4e2-11e3-af92-00144feabdc0.html#axzz4HWwIEVzw> accessed 7 September 2016; A Green, 'South Africa: BITs in Pieces' (*BeyondBRICS*, 19 October 2012) <blogs.ft.com/beyond-brics/2012/10/19/south-africa-bits-in-pieces/> accessed 7 September 2016.

[30] M Bungenberg and C Titi, 'Precedents in International Investment Law' in M Bungenberg et al. (eds), *International Investment Law: A Handbook* (Baden-Baden: Nomos 2015); J Karton, 'Lessons from International Uniform Law' in Kalicki and Joubin-Bret (n 15); C Schreuer and M Weiniger, 'A Doctrine of Precedent?' in P Muchlinski, F Ortino and C Schreuer (eds), *The Oxford Handbook of International Investment Law* (Oxford: Oxford University Press 2008); A R Sureda, 'Precedent in Investment Treaty Arbitration' in C Binder et al. (eds), *International Investment Law for the 21st Century: Essays in Honour of Christoph Schreuer* (Oxford: Oxford University Press 2009).

[31] A Reinisch, 'The Future of Investment Arbitration' in Binder et al. (n 30) 905–8.

[32] 'Legal Effect of Panel and Appellate Body Reports and DSB Recommendations and Rulings' (*World Trade Organization*) <www.wto.org/english/tratop_e/dispu_e/disp_settlement_cbt_e/c7s2p1_e.htm> accessed 16 August 2016.

[33] WTO, *Japan – Taxes on Alcoholic Beverages*, WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R (4 October 1996) pt E.

Within the intellectual property field, there is also a considerable concern that ISDS arbitrators would subscribe to a narrow view of intellectual property rights. In doing so, they may focus primarily on the protection levels without adequately considering the corresponding limitations or exceptions. They may also ignore the many limitations, flexibilities and safeguards that have been carefully built into the TRIPS Agreement. From the standpoint of a host state, especially one in the developing world, overlooking these limitations, flexibilities and safeguards is particularly problematic, considering that ISDS is often included in TRIPS-plus trade or investment agreements – agreements that are established outside the multilateral process to ratchet up TRIPS standards.

Finally, ISDS arbitrators may have tunnel vision, causing them to overemphasize intellectual property rights as investors' rights. With respect to intellectual property investments, they may focus narrowly on the intellectual property side of the investment bargain. As a result, they may ignore the existence of concessions outside the intellectual property field – such as free lands, tax breaks, exemption from export custom duties and preferential treatment on foreign exchange.[34] Overlooking these offsetting concessions is particularly problematic because the concessions would not have been offered in the first place had intellectual property protection and enforcement been as strong as investors preferred.

1.3 Outcome-based Weaknesses

The third type of weakness concerns the final outcomes of ISDS arbitrations. There are at least five widely documented weaknesses regarding arbitral awards. First, the total compensation can be very high. A case in point is the US$50 billion ISDS award that was initially given as compensation for Russia's wrongful expropriation of the now-defunct Yukos Oil, which was once the country's biggest oil producer.[35] To put this award in the right comparative context, it is important to recall that

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[34] P Muchlinski, 'Policy Issues' in Muchlinski, Ortino and Schreuer (n 30) 33; A Telesetsky, 'A New Investment Deal in Asia and Africa: Land Leases to Foreign Investors' in C Brown and K Miles (eds), *Evolution in Investment Treaty Law and Arbitration* (Cambridge: Cambridge University Press 2011).

[35] H Meyer, 'Russia Faces $50 Billion Fight in US, UK for Yukos Damages' (*Bloomberg*, 24 July 2015) <www.bloomberg.com/news/articles/2015-07-24/russia-faces-50-billion-fight-in-u-s-u-k-for-yukos-damages> accessed 7 September 2016. The award was later struck down on appeal. S Shuster, 'Why a Win in

the GDP of many developing countries, including those in the European Union, does not reach that amount.[36] Even Peru and Vietnam, two of the twelve TPP partners, had a GDP of only about four times the amount of the Yukos Oil award. According to World Bank data, the GDP of Peru and Vietnam in 2016 were US$192.21 billion and US$205.28 billion, respectively.

Second, ISDS allows transnational corporations to challenge legitimate regulations, such as those concerning public health, labour and the environment. Such challenges would create what commentators, intergovernmental bodies and civil society organizations have widely referred to as 'regulatory chill' – a chilling effect that undermines a country's sovereign ability to regulate harmful conduct, including conduct committed by transnational corporations.[37] Recent examples of such chill include Philip Morris' failed attempts to use ISDS to challenge the plain packaging regulations for tobacco products in Australia and Uruguay and Eli Lilly's equally unsuccessful effort to invalidate the patentability requirements in Canada.

Regulatory chill, while difficult to prove,[38] is particularly problematic in the intellectual property field,[39] an area in which autonomy and policy space are badly needed for countries to tailor their intellectual property systems to local needs, interests, conditions and priorities.[40] As Ruth Okediji lamented:

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a Dutch Court Is Making Vladimir Putin So Happy' (*Time*, 20 April 2016) <time.com/4301475/russia-appeal-case-yukos-the-hague/> accessed 10 February 2018.

[36] In 2016, those EU developing country members that had a GDP lower than the Yukos Oil award included Cyprus (US$20.05 billion), Estonia (US$23.34 billion), Latvia (US$27.57 billion), Lithuania (US$42.74 billion), Malta (US$11 billion) and Slovenia (US$44.71 billion). 'GDP (Current US$)' <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD> accessed 15 May 2018.

[37] L W Mouyal, *International Investment Law and the Right to Regulate: A Human Rights Perspective* (Abingdon: Routledge 2016) 67–8; K Tienhaara, 'Regulatory Chill and the Threat of Arbitration: A View from Political Science' in Brown and Miles (n 34); UNCTAD, *World Investment Report 2015: Reforming International Investment Governance* (Geneva: United Nations 2015) 128.

[38] J Bonnitcha, 'Outline of a Normative Framework for Evaluating Interpretations of Investment Treaty Protections' in Brown and Miles (n 34) 134.

[39] R L Okediji, 'Is Intellectual Property "Investment"? *Eli Lilly v. Canada* and the International Intellectual Property System' (2014) 35 U of Pennsylvania J of Intl L 1121, 1133.

[40] H Grosse Ruse-Khan, 'Protecting Intellectual Property Rights under BITs, FTAs and TRIPS: Conflicting Regimes or Mutual Coherence?' in Brown

> Intellectual property obligations in the investment context ... pose a new threat to states' traditional lawmaking powers by providing foreign actors [with] a singular opportunity to challenge laws that have been enacted with the domestic public interest in full view, even when they are in conformity with international intellectual property treaties. Subverting a core judicial function – interpretation of a domestic law already infused with multilateral obligations – to the oversight of a private international tribunal precariously alters the contours of state power and responsibility for compliant domestic legislation and policy prescriptions.[41]

Third, ISDS will provide new fora for private investors and their supportive states to sue developing country governments.[42] The typical fora in which complaints can be filed against these governments are domestic courts and international adjudicatory bodies, such as the WTO Dispute Settlement Body. By providing alternative fora, ISDS will allow private actors to bypass these widely used processes. Even worse, the investors' home governments can still file complaints through traditional state-to-state dispute settlement processes. As a result, ISDS is likely to spark a vicious cycle that will generate more disputes. After all, diplomatic and other non-trade reasons may induce governments to exercise restraint in filing state-to-state complaints.

Fourth, and more specifically in the intellectual property context, ISDS may encourage arbitrators to focus on rights that do not fall squarely within the TRIPS Agreement or other multilateral intellectual property agreements, such as those administered by the World Intellectual Property Organization (WIPO). Although most international investment agreements define 'investment' broadly to cover all forms of 'intellectual property rights', perhaps even licences to or applications of those rights,[43] the TRIPS Agreement explicitly covers only eight categories of rights – namely, copyrights, patents, trademarks, trade secrets, geographical indications, industrial designs, layout designs of integrated circuits and plant variety protections. To be sure, one can make a strong argument that the TRIPS Agreement also covers 'utility models, trade names, and

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and Miles (n 34); P K Yu, 'The International Enclosure Movement' (2007) 82 Indiana LJ 827, 833–55.

[41] Okediji (n 39) 1122.

[42] 'FACT SHEET' (n 26).

[43] C M Correa, 'Investment Protection in Bilateral and Free Trade Agreements: Implications for the Granting of Compulsory Licenses' (2004) 26 Michigan J of Intl L 331, 340; B Mercurio, 'Awakening the Sleeping Giant: Intellectual Property Rights in International Investment Agreements' (2012) 15 J of Intl Economic L 871, 878–9.

other forms of unfair competition',[44] due to its incorporation of the Paris Convention for the Protection of Industrial Property. Nonetheless, it remains debatable whether the Agreement covers *sui generis* database protection, broadcast rights and exclusivity regimes used to protect clinical trial data. These additional protections are generally referred to as TRIPS-extra obligations – obligations that lie outside the scope of the TRIPS Agreement and that may not be subject to the mandatory WTO dispute settlement process.[45]

Finally, ISDS may allow private investors to rewrite the TRIPS Agreement – or, for that matter, other multilateral trade or intellectual property agreements.[46] Such rewriting will undermine the hard-earned bargains developing countries have won through the WTO negotiations.[47] A case in point is the moratorium imposed on non-violation complaints – complaints of nullification or impairment of trade benefits when no substantive violation has occurred.[48] Since the adoption of the TRIPS Agreement, this moratorium has been repeatedly extended – most recently during the 11th WTO Ministerial Conference in Buenos Aires, Argentina in December 2017.[49] Despite this extension, nothing can prevent ISDS arbitrators from considering complaints that are based on impaired benefits or frustrated expectations, as opposed to substantive violations.

Similarly, Brook Baker and Katrina Geddes voiced concern about the 'risk that an IP [intellectual property] rightholder might bring a claim because of a governmental failure to intercept alleged infringing products in-transit via stringent border measures'.[50] In their view, such a failure 'might be interpreted to violate the right to fair and equitable treatment in

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[44] P K Yu, 'Enforcement, Enforcement, What Enforcement?' (2012) 52 IDEA 239, 256, fn 82.

[45] Yu (n 40) 868–9.

[46] Ho (n 19) 223; Okediji (n 39) 1123–4.

[47] S Frankel, 'Interpreting the Overlap of International Investment and Intellectual Property Law' (2016) 19 J of Intl Economic L 121, 124; Ho (n 19) 250.

[48] S Frankel, 'Challenging TRIPS-Plus Agreements: The Potential Utility of Non-Violation Disputes' (2009) 12 J of Intl Economic L 1023, 1059.

[49] WTO, *TRIPS Non-Violation and Situation Complaints* (WT/MIN(17)/66, 18 December 2017).

[50] B K Baker and K Geddes, 'Corporate Power Unbound: Investor-State Arbitration of IP Monopolies on Medicines – *Eli Lilly v. Canada* and the Trans-Pacific Partnership Agreement' (2015) 23 J of Intellectual Property L 2, 34.

administrative border procedures'.[51] Considering the controversy generated by in-transit seizures of pharmaceutical products during the negotiation of the Anti-Counterfeiting Trade Agreement, their concern is well justified.[52] At that time, the repeated seizures of in-transit generic drugs were so contentious that India and Brazil filed complaints against the European Union and the Netherlands before the WTO Dispute Settlement Body. Although India and the European Union eventually reached an interim settlement in July 2011,[53] neither Brazil nor India has withdrawn its complaint.

In sum, ISDS has a wide variety of weaknesses. Some are related to the arbitration process, some are concerned with the arbitrators' interpretations, and some involve the final arbitral outcomes.

2. TPP INVESTMENT CHAPTER

In view of these weaknesses, the TPP Agreement seeks to introduce a variety of substantive and procedural safeguards. Although the TPP investment chapter goes beyond ISDS to cover other investment-related issues – such as freedom from discrimination, protection against uncompensated expropriation of property, protection against denial of justice and the right to transfer capital[54] – this section focuses only on the various safeguards that the TPP Agreement has put in place to improve ISDS.

2.1 Sovereignty and Regulatory Space

The TPP Agreement has instituted at least four sets of improvements to address the current weaknesses of ISDS. The first set of improvements targets the concerns about sovereignty and regulatory space. These improvements help reserve to each TPP partner the ability to regulate in the public interest. Article 9.16 of the TPP Agreement explicitly declares: 'Nothing in this Chapter shall be construed to prevent a Party from

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[51] Ibid.

[52] P K Yu, 'Six Secret (and Now Open) Fears of ACTA' (2011) 64 SMU L Rev 975, 1009; P K Yu, 'Virotech Patents, Viropiracy, and Viral Sovereignty' (2014) 45 Arizona State LJ 1563, 1588.

[53] Times News Network, 'India, EU Ink Deal to End Drug Seizure for Now' (*Times of India*, 29 July 2011) <articles.timesofindia.indiatimes.com/2011-07-29/india-business/29828750_1_generic-drugs-consignments-of-generic-medicines-eu-parliament> accessed 10 February 2018.

[54] 'FACT SHEET' (n 26).

adopting, maintaining or enforcing any measure otherwise consistent with this Chapter that it considers appropriate to ensure that investment activity in its territory is undertaken in a manner sensitive to environmental, health or other regulatory objectives.' To ensure financial stability, Article 9.3.3 further states that the investment chapter does not cover financial services.

During the TPP negotiations, Philip Morris' ISDS proceedings have sparked serious concerns among some TPP partners, most notably Australia and Malaysia.[55] To alleviate these concerns, Article 29.5 explicitly recognizes the health authorities' ability to introduce tobacco control measures. Although this provision is important to intellectual property and investment policies, the provision interestingly cannot be found in either the intellectual property or investment chapter. Instead, it is available in the exceptions chapter – the second last chapter of the TPP Agreement.

2.2 ISDS Process

The second set of improvements addresses the procedural flaws of ISDS. Specifically, the TPP Agreement empowers arbitral tribunals to review and dismiss frivolous claims as well as to award costs and attorneys' fees. Article 9.23.4 states that 'a tribunal shall address and decide as a preliminary question any objection by the respondent that ... a claim is manifestly without legal merit'. Article 9.29.4 states further that, '[i]f the tribunal determines [the] claims to be frivolous, the tribunal may award to the respondent reasonable costs and attorney's fees'. Although this fee-shifting arrangement is important to investors, it would limit the host state's ability to control arbitration costs while greatly increasing the burden of any host state losing in the arbitration.[56]

In addition, Article 9.23.7 of the TPP Agreement imposes on investors 'the burden of proving all elements of [their] claims, consistent with general principles of international law applicable to international arbitration'. Article 9.21.1 also limits claims to those that have occurred within

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[55] J Chaisse, 'TPP Agreement: Towards Innovations in Investment Rule-Making' in C L Lim, D K Elms and P Low (eds), *The Trans-Pacific Partnership: A Quest for a Twenty-First Century Trade Agreement* (Cambridge: Cambridge University Press 2012) 153; B Mercurio, 'Safeguarding Public Welfare? – Intellectual Property Rights, Health and the Evolution of Treaty Drafting in International Investment Agreements' (2015) 6 J of Intl Dispute Settlement 252, 273–4.

[56] Joubin-Bret (n 16) 4.

three and a half years. In regard to minimum standards of treatment, Article 9.6.4 further states that 'the mere fact that a Party takes or fails to take an action that may be inconsistent with an investor's expectations does not constitute a breach … even if there is loss or damage to the covered investment as a result'.

To prevent forum shopping, the TPP Agreement requires claimants in ISDS proceedings to 'waive the right to initiate parallel proceedings in other fora challenging the same measures'.[57] Although Article 28.4.1 allows the claimant to 'select the forum in which to settle the dispute', Article 28.4.2 states: 'Once a complaining Party has requested the establishment of, or referred a matter to, a panel or other tribunal under an agreement referred to in paragraph 1, the forum selected shall be used to the exclusion of other fora.' Thus, by 'prevent[ing] a party from pursuing the same claims both in ISDS proceedings and domestic courts',[58] this waiver will greatly reduce the host states' burden of defending investor-state disputes simultaneously in multiple fora.

To further minimize burden, Article 9.28 permits the consolidation of ISDS claims that 'have a question of law or fact in common and [that] arise out of the same events or circumstances'. Such consolidation will benefit the disputing parties on both sides, as it will 'increase efficiency, reduce litigation costs, and prevent strategic initiation of duplicative litigation'.[59]

Finally, the Agreement 'allows a TPP Party to deny benefits to "shell companies" owned by persons of that Party or a non-Party that establishes in another TPP country in order to take advantage of treaty rights but that lack substantial business activities in that country'.[60] Article 9.1 specifically defines the term 'enterprise of a Party' as 'an enterprise constituted or organised under the law of a Party, or a branch located in the territory of a Party and carrying out business activities there'.[61]

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[57] Office of the US Trade Representative (USTR), 'TPP Chapter Summary – Investment' (2016) 5 <https://ustr.gov/sites/default/files/TPP-Chapter-Summary-Investment.pdf> accessed 16 May 2018.

[58] 'FACT SHEET' (n 26).

[59] Ibid.

[60] USTR (n 57) 3.

[61] On the territorial nexus between an investment and the host state, see C Knahr, 'Investments "in the Territory" of the Host State' in Binder et al. (n 30); C Knahr, 'The Territorial Nexus between an Investment and the Host State' in Bungenberg et al. (n 30). On what constitute investors, see M Feldman, 'Distinguishing Investors from Exporters under Investment Treaties' in Kalicki and Joubin-Bret (n 15); L F Reed and J E Davis, 'Who Is a Protected Investor?' in Bungenberg et al. (n 30).

2.3 Transparency

The third set of improvements concerns transparency. Under the TPP Agreement, arbitral proceedings will remain open and publicly accessible. Article 9.24.1 specifically requires the respondent to make publicly available the following documents:

(a) the notice of intent;
(b) the notice of arbitration;
(c) pleadings, memorials and briefs submitted to the tribunal by a disputing party and any written submissions submitted pursuant to Article 9.23.2 (Conduct of the Arbitration) and Article 9.23.3 and Article 9.28 (Consolidation);
(d) minutes or transcripts of hearings of the tribunal, if available; and
(e) orders, awards and decisions of the tribunal.

According to the Office of the United States Trade Representative, the State Department's website will contain all submissions, hearing transcripts and other key documents regarding TPP-based investment cases against the United States.[62] Such transparency will ensure high quality decision making while promoting democratic values, public participation, accountability and legitimacy.[63]

In addition, TPP partners will establish a code of conduct for ISDS arbitrators to ensure independence and impartiality.[64] Article 28.10.1(d) of the TPP Agreement explicitly requires all members of the dispute settlement panels, including ISDS arbitrators, to 'comply with the code of conduct in the Rules of Procedure'. Before any final rulings, disputing parties will also have an opportunity to review and comment on proposed arbitral awards. Article 28.17.7 specifically grants to these parties the opportunity to 'submit written comments to the panel on its initial report', somewhat similar to the one provided by interim review in the WTO dispute settlement process. Through a decision of the Trans-Pacific Partnership Commission, TPP partners can further agree on joint interpretations that will bind arbitral tribunals (Article 9.25.3).

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[62] USTR (n 57) 4.
[63] J Delaney and D B Magraw, 'Procedural Transparency' in Muchlinski, Ortino and Schreuer (n 30) 761–2.
[64] USTR (n 57) 6.

2.4 Tunnel Vision

The final set of improvements aims to address the frustrations with the ISDS arbitrators' tunnel vision. As Rochelle Dreyfuss and Susy Frankel described:

> Because investor rights and IP rights are both private rights, IP holders tend to equate the investment protectable under these instruments to the private economic value of their IP rights. Further, they see IP rights as reliance interests that are defined by the law at the time they made their investment or, more extremely, when the agreement references TRIPS or its own IP chapter, the law at the time when the investment agreement was made.[65]

To avoid narrow interpretation and over-emphasis on the investment's economic value, the TPP Agreement allows civil society organizations, environmental groups, labour unions and other interested stakeholders to file *amicus curiae* briefs (Article 9.23.3) – arrangements that can also be found in the North American Free Trade Agreement and the WTO. Likewise, Article 28.13(e) states that 'the [dispute settlement] panel shall consider requests from non-governmental entities located in the territory of a disputing Party to provide written views regarding the dispute that may assist the panel in evaluating the submissions and arguments of the disputing Parties'.

As Professors Dreyfuss and Frankel reminded us, 'More transparency, receptivity to amicus briefing, consultation with other international organizations (along the lines of the relationship between the WTO and WIPO), and references to the decisions of other tribunals would provide decision makers with a broader context in which to consider disputed issues.'[66] The filing of *amicus curiae* briefs can be highly beneficial, as these briefs 'can improve the quality of decisions by providing factual information of various types to the tribunal of which it would not otherwise be aware'.[67] Such filing 'can also provide [the relevant tribunal] with specialized expertise relating to public interest concerns in a case … [as well as] legal argumentation that the parties, for various reasons, do not provide to the tribunal'.[68]

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[65] R Dreyfuss and S Frankel, 'From Incentive to Commodity to Asset: How International Law Is Reconceptualizing Intellectual Property' (2015) 36 Michigan J of Intl L 557, 589.

[66] Ibid 599.

[67] Delaney and Magraw (n 63) 778.

[68] Ibid.

In addition, the TPP Agreement allows non-disputing parties, such as the investors' home states, to make submissions to arbitral tribunals. Article 28.14, which covers third party participation, specifically declares:

> A Party that is not a disputing Party and that considers it has an interest in the matter before the panel shall, on delivery of a written notice to the disputing Parties, be entitled to attend all hearings, make written submissions, present views orally to the panel, and receive written submissions of the disputing Parties.

3. MODEST PROPOSALS

Although the TPP Agreement has put in place many substantive and procedural safeguards to improve ISDS, these safeguards remain inadequate to address all the weaknesses documented in this chapter. To target the remaining weaknesses, this section proposes two sets of improvements. While many of these improvements can be introduced without modifying the TPP Agreement – or, more recently, the CPTPP – others may require at least some modification.

3.1 Conceptual Improvements

The first set of improvements consists of those aiming to strengthen our ability to conceptualize investments in the proper context. Because intellectual property rights are intangible and elusive by nature, having proper conceptualization is especially significant in the intellectual property field.

Such conceptualization is also important given the hitherto limited attention to the interplay of intellectual property and investment law.[69] Just as investment issues are new to those in the intellectual property field, intellectual property issues are also new to those in the investment field. For instance, investment law experts may not be fully knowledgeable about the many complexities and nuances within intellectual property law and policy. Likewise, intellectual property law experts may be unfamiliar with the tradition and unique language of investment law, such as 'direct and indirect expropriation of property', 'minimum standard of treatment', 'fair and equitable treatment' and 'full protection and security'.

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[69] Mercurio (n 43) 871–2.

To help better understand the interplay of intellectual property and investment law, this section outlines three sets of conceptual improvements. While the first set is directly related to intellectual property protection, the second and third sets are only substantially related.

3.1.1 What constitutes investment?

A critical question concerning the investment-related aspects of intellectual property rights is what constitutes investment.[70] This question is highly complicated because most international investment agreements have a broad definition of covered investment. For example, Article 9.1 of the TPP Agreement defines 'investment' as 'every asset that an investor owns or controls, directly or indirectly, that has the characteristics of an investment, including such characteristics as the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk'. Article 9.1 further states that '[f]orms that an investment may take include ... intellectual property rights', without providing any definition of those rights.

The TPP investment chapter, however, does not further delineate the coverage of 'intellectual property rights'. Instead, these rights are defined in Article 18.1, which states that 'intellectual property refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II of the TRIPS Agreement'. Because Article 18.1 is not part of the investment chapter, one could argue against applying this definition to the TPP investment chapter. Regardless of its applicability, an important inquiry can be made about what rights are covered as investments within the meaning of the TPP investment chapter.

However broad the coverage is, intellectual property rights should not be automatically equated with covered investments once they emerge or have been acquired in the host state.[71] After all, many of these rights can

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[70] On ways to identify an investment within the meaning of international investment agreements, see J A Bischoff and R Happ, 'The Notion of Investment' in Bungenberg et al. (n 30); E Gaillard, 'Identify or Define? Reflections on the Evolution of the Concept of Investment in ICSID Practice' in Binder et al. (n 30); D A R Williams and S Foote, 'Recent Developments in the Approach to Identifying an "Investment" Pursuant to Article 25(1) of the ICSID Convention' in Brown and Miles (n 34).

[71] C Correa and J E Viñuales, 'Intellectual Property Rights as Protected Investments: How Open Are the Gates?' (2016) 19 J of Intl Economic L 91, 112; H Grosse Ruse-Khan, 'Investment Law and Intellectual Property Rights' in Bungenberg et al. (n 30) 1696; Okediji (n 39) 1125–6; Vanhonnaeker (n 14) 7–33.

exist without any actual investments into that state. As Ruth Okediji reminded us:

> Intellectual property rights can be held simultaneously in many countries and in some cases, like copyright, without any formalities or other domestic process that would indicate a specific investment purpose. Is merely having authorial works in circulation in a host country sufficient to constitute an 'investment in a given country?' Similarly, where patent rights are acquired by mere registration, such as in many least-developed countries, should this alone confer the status of an 'investment'? Should requirements of local working conditions that more firmly anchor the patent grant to domestic priorities make a difference in an assessment of a protected investment?[72]

In fact, if intellectual property rights acquired in the host state can automatically become investments regardless of whether investments have actually been made in the first place, many of the safeguards and adjustments provided by the TRIPS Agreement will be immediately lost. As Bryan Mercurio cautioned us, 'If ownership of an IPR [intellectual property right] is an "investment", the question becomes whether a compulsory license can be an expropriation of that investment.'[73] Given the high stakes involved, it is important to develop analytical frameworks that can be used to determine whether investments have been made within the meaning of the TPP investment chapter or other international investment agreements. This question is important because the issuance of compulsory licences is at the heart of the negotiations surrounding the Doha Declaration on the TRIPS Agreement and Public Health.[74]

One test that has garnered considerable support from commentators is the one adopted in *Salini Costruttori SpA v Kingdom of Morocco*, a case involving the construction of a Moroccan highway by Italian contractors.[75] This test took into consideration four distinct factors: '[1] contributions, [2] a certain duration of performance of the contract ... [3] a participation in the risks of the transaction ... [and] [4] the contribution to the economic development of the host State of the investment'.[76] Applied to the intellectual property context, Lukas Vanhonnaeker translated these factors as follows: (i) IP is susceptible to be invested for a

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[72] Okediji (n 39) 1125.

[73] Mercurio (n 43) 911.

[74] Yu (n 40) 872–86.

[75] Correa and Viñuales (n 71) 100, fn 30; Gaillard (n 70) 403; Okediji (n 39) 1137.

[76] *Salini Costruttori SpA v Kingdom of Morocco*, ICSID Case No ARB/00/4, Decision on Jurisdiction (31 July 2001) para 52.

certain duration; (ii) it is likely to generate profit and return on a regular basis; (iii) IP, and more precisely, IPRs 'share the unique and constant *risk* of infringement by third parties not privileged in their use'; (iv) IP investment often represents a substantial commitment; and (v) such assets have a significant potential to contribute to the Host State's development.[77]

Apart from developing analytical frameworks to determine whether investments have been made within the meaning of the international investment agreement concerned, it is also important to recall the contingent nature of intellectual property rights.[78] Just because these rights have been granted does not mean that they can be enforced through the international investment agreement.

There are at least four reasons for such non-enforcement. First, intellectual property rights are of limited duration. Second, renewal or maintenance fees are required for trademark and patent protections in most jurisdictions. Third, protected rights can be subsequently invalidated even if they have been initially granted.[79] Finally, limits to intellectual property rights exist both within and outside the system. While endogenous limits include fair use, exhaustion of rights, and exceptions for research or experimental use, early working and the development of diagnostics, exogenous limits can be found in human rights treaties, constitutions and competition law.[80]

3.1.2 The role of intellectual property protection in an investment environment

Apart from a deeper inquiry into what constitutes investment, we need to develop a more sophisticated understanding of the role of intellectual property protection in an investment environment. Although there is a tendency to emphasize the role of such protection in attracting foreign

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[77] Vanhonnaeker (n 14) 26.

[78] Okediji (n 39) 1126.

[79] J R Allison and M A Lemley, 'Empirical Evidence on the Validity of Litigated Patents' (1998) 26 AIPLA QJ 185, 205; C M Correa, 'The Push for Stronger Enforcement Rules: Implications for Developing Countries' in *The Global Debate on the Enforcement of Intellectual Property Rights and Developing Countries* (Geneva: International Center for Trade and Sustainable Development 2009) 67, fn 84.

[80] P K Yu, 'The Anatomy of the Human Rights Framework for Intellectual Property' (2016) 69 SMU L Rev 37, 65–6, 76–7.

direct investment (FDI), due largely to the developed countries' comparative advantages in intellectual property-based goods and services, policy-makers and commentators have widely questioned whether strong intellectual property protection actually causes greater FDI flows.

To date, economists have provided an abundance of empirical studies demonstrating the ambiguity of this causal relationship.[81] For instance, Claudio Frischtak stated that a country's overall investment climate is often more influential on FDI decisions than the strength of intellectual property protection it offers.[82] Carsten Fink and Keith Maskus observed that '[a] poor country hoping to attract inward FDI would be better advised to improve its overall investment climate and business infrastructure than to strengthen its patent regime sharply, an action that would have little effect on its own'.[83] Professor Maskus further stated that, if stronger intellectual property protection always led to more FDI, 'recent FDI flows to developing economies would have gone largely to sub-Saharan Africa and Eastern Europe ... [rather than] China, Brazil, and other high-growth, large-market developing economies with weak IPRs'.[84]

To develop a more sophisticated understanding of investment protection, it is therefore important to examine protection from the sides of both the investor and the host state. On the investor's side, ISDS arbitrators need to consider both additive and subtractive adjustments. Additive adjustments are those adjustments that will enhance the overall protection of intellectual property investments. A case in point is the protection offered by a food and drug administration. When that administration links the registration of pharmaceutical products to their patent status – a common requirement in TRIPS-plus bilateral, regional and

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[81] P K Yu, 'Intellectual Property, Economic Development, and the China Puzzle' in D J Gervais (ed.), *Intellectual Property, Trade and Development: Strategies to Optimize Economic Development in a TRIPS Plus Era*, 1st edn (New York: Oxford University Press 2007) 176–80.

[82] C R Frischtak, 'Harmonization versus Differentiation in Intellectual Property Right Regimes' in M B Wallerstein, M E Mogee and R A Schoen (eds), *Global Dimensions of Intellectual Property Rights in Science and Technology* (Washington: National Academy Press 1993) 99–100.

[83] C Fink and K E Maskus, 'Why We Study Intellectual Property Rights and What We Have Learned' in C Fink and K E Maskus (eds), *Intellectual Property and Development: Lessons from Recent Economic Research* (New York: Oxford University Press 2005) 7.

[84] K E Maskus, 'The Role of Intellectual Property Rights in Encouraging Foreign Direct Investment and Technology Transfer' (1998) 9 Duke J of Comparative and Intl L 109, 128–9.

plurilateral trade agreements – the overall protection provided by the host state to pharmaceutical investments will be stronger than the protection of pharmaceutical patents alone. This additional protection was indeed why commentators and civil society organizations have been highly critical of the demands for this type of linkage in TRIPS-plus trade agreements.[85]

By contrast, subtractive adjustments are those adjustments that will undermine the overall protections given to intellectual property investments. Typical examples are safeguards provided outside the intellectual property system, such as those exogenous limits discussed in the previous section. A case in point is a process withholding patent protection from a pharmaceutical product until after health and medical experts have assessed its contribution to innovation and health welfare, such as the prior consent mechanism (*anuência prévia*) instituted by the Brazilian National Health Surveillance Agency (ANVISA). Although commentators have extolled the agency's effort in fostering coordination between patent offices and health and medical experts,[86] there is no denying that this mechanism has also weakened the overall protection offered to intellectual property investments. Indeed, by October 2010, the conflicts between ANVISA and the Brazilian industrial property agency[87] had become so intense that the country's attorney general (*Advocacia Geral da Uniao*) felt compelled to step in to curtail ANVISA's role.[88]

Just as it is important to evaluate the protection given to the investor, it is equally significant to examine the protection provided by the host state. In regard to the latter, ISDS arbitrators should consider the inputs the state has provided to the investor as part of its effort to protect intellectual property investments. Such consideration is especially

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[85] C M Correa, 'Bilateralism in Intellectual Property: Defeating the WTO System for Access to Medicines' (2004) 36 Case Western Reserve J of Intl L 79, 88–91.

[86] P Drahos, '"Trust Me": Patent Offices in Developing Countries' (2008) 34 American J of L and Medicine 151, 169–70; P K Yu, 'Access to Medicines, BRICS Alliances, and Collective Action' (2008) 34 American J of L and Medicine 345, 378.

[87] K C Shadlen, 'The Political Contradictions of Incremental Innovation: Lessons from Pharmaceutical Patent Examination in Brazil' (2011) 39 Politics and Society 143; K C Shadlen, 'The Rise and Fall of "Prior Consent" in Brazil' (2011) 3 WIPO J 103.

[88] F Carvalho, 'Brazil and the Defence of Public Health: Do as I Say, Not as I Do' (*Intellectual Property Watch*, 17 February 2011) <www.ip-watch.org/weblog/2011/02/17/brazil-and-the-defence-of-public-health-do-as-i-say-not-as-i-do/> accessed 7 September 2016.

important in inquiries concerning the country's overall minimum standard of treatment.

As far as intellectual property investments are concerned, host states contribute to their overall protections through inputs within and outside the system. Those inputs that are within the system include the establishment of registration, examination and enforcement infrastructures. Those outside the system include concessions offered to compensate for weaker intellectual property protection, such as free lands, tax breaks, exemption from export custom duties and preferential treatments on foreign exchange.

To be certain, the existence of concessional benefits outside the intellectual property system does not reduce the host state's obligation under an international investment agreement. Nevertheless, ISDS arbitrators should take those benefits into account if they are to obtain a more complete picture of what attracts foreign intellectual property rights holders to invest in the first place. After all, if intellectual property rights were as strong as the claimants in ISDS cases expected them to be, offsetting contributions would not have been needed in the first place.

3.1.3 International investment agreements and other multilateral obligations

The final set of conceptual improvements concerns the interrelationship between an international trade or investment agreement containing ISDS, such as the TPP Agreement, and the host state's other, and often pre-existing, multilateral obligations. These obligations include those under the TRIPS Agreement, the Convention on Biological Diversity, the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from Their Utilization, the World Health Organization Framework Convention on Tobacco Control, and international and regional human rights treaties.

When efforts are needed to fill in the gap, ISDS arbitrators may want to look at the developments in not only the host state and the investor's home state, but also third states. National laws can indeed provide useful guideposts. In their book, Graeme Dinwoodie and Rochelle Dreyfuss called for the recognition of an international intellectual property *acquis*[89] – which they defined as 'a set of basic principles that form the

[89] G B Dinwoodie and R C Dreyfuss, *A Neofederalist Vision of TRIPS: The Resilience of the International Intellectual Property Regime* (Oxford: Oxford University Press 2012) 175–203.

background norms animating the intellectual property system'.[90] Aiming to clarify the normative underpinnings of intellectual property law and policy, this *acquis* would draw from not only international intellectual property treaties, but also 'national ... intellectual property law along with associated jurisprudence and scholarship'.[91]

To a large extent, the approach proposed in this section is not that different from what the TPP negotiators have already developed in the investment chapter. For instance, Article 9.8.5 states that the provision on expropriation and compensation

> shall not apply to the issuance of compulsory licences granted in relation to intellectual property rights in accordance with the TRIPS Agreement, or to the revocation, limitation or creation of intellectual property rights, to the extent that the issuance, revocation, limitation or creation is consistent with Chapter 18 (Intellectual Property) and the TRIPS Agreement.

Article 9.3.1 further states that '[i]n the event of any inconsistency between this Chapter and another Chapter of this Agreement, the other Chapter shall prevail to the extent of the inconsistency'. Thus, if inconsistencies arise between the TPP investment and intellectual property chapters, the latter shall prevail to the extent of those inconsistencies.

Notwithstanding these similarities, the approach proposed in this section will take a holistic perspective. It will take into account the many obligations the host state has already assumed under other multilateral agreements.[92] To make explicit the host state's duty to interpret international agreements in good faith (*pacta sunt servanda*), TPP partners should consider writing into the ISDS arbitrators' code of conduct a requirement that arbitrators consider a host state's broad multilateral commitments. Such consideration can draw on the principles laid down in the Vienna Convention on the Law of Treaties.

3.2 Institutional Improvements

Although conceptual improvements to ISDS are of great importance and urgency, institutional improvements are equally important, as they will help to strengthen the mechanism in regard to all forms of investments, including those in the intellectual property field. This section discusses three institutional improvements in turn.

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[90] Ibid 176.
[91] Ibid 177.
[92] Miles (n 25) 296; Okediji (n 39) 1129.

3.2.1 Advisory Centre on Investor-State Disputes

The first institutional improvement concerns the need for an Advisory Centre on Investor-State Disputes (ACISD),[93] similar to the Advisory Centre on WTO Law (ACWL). Based in Geneva, the latter provides to the developing and least developed country members of the WTO 'free advice and training on all aspects of WTO law, as well as assistance in WTO dispute settlement proceedings'.[94] As the Centre explained in its guide:

> Over the past 20 years, WTO law has become increasingly complex. While most developed countries have 'in-house' legal expertise that enable[s] them to understand WTO law and to participate fully in the WTO legal system, most developing countries and LDCs [least developed countries] do not. Thus, the ACWL was created to provide these countries with this legal capacity and to help them to understand fully their rights and obligations under WTO law.
>
> At [the time of publication of this guide], 74 countries – roughly half of the membership of the WTO – are entitled to the services of the ACWL. Since its establishment in 2001, the ACWL has provided these countries with over 1800 legal opinions free of charge, has conducted twelve annual training courses for Geneva-based delegates, and has trained 23 lawyers as part of its Secondment Programme for Government lawyers. In addition, it has assisted developing countries and LDCs in 44 WTO dispute settlement proceedings at modest fees. Thus, the ACWL has become an organisation that pools the collective experience of developing countries and LDCs in WTO legal matters and makes that expertise available to each of those countries.[95]

In the past two decades, the ACWL has provided assistance to a large number of WTO disputes involving developing countries in various capacities.[96]

Within the TPP, the establishment of an ACISD would be critically important, considering the agreement's failure to offer special and differential treatment to poor TPP partners,[97] despite what policymakers

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[93] Other commentators have advanced similar proposals: for example, Joubin-Bret (n 16) 1.

[94] Advisory Centre on WTO Law, *The Services of the ACWL* (Geneva: Advisory Centre on WTO Law, no date) 2.

[95] Ibid.

[96] 'WTO Disputes: Assistance in WTO Dispute Settlement Proceedings since July 2001' (*Advisory Centre on WTO Law*) <www.acwl.ch/wto-disputes/> accessed 19 August 2016.

[97] The TPP Agreement does offer transition periods to select partners. Its intellectual property chapter, for example, offers transition periods to six of the twelve TPP partners – namely, Brunei Darussalam, Malaysia, Mexico, New Zealand, Peru and Vietnam (Article 18.83.4).

and commentators have long advocated.[98] After all, TPP partners are of varying sizes and economic strengths. While the United States and Japan, respectively, had a GDP per capita of US$57,638.16 and US$38,900.57 in 2015, the World Bank estimated that the comparable figures for Peru and Vietnam were only US$6,049.23 and US$2,214.39.[99] As a result, Peru and Vietnam are unlikely to have the same financial flexibility to handle investor-state disputes as the United States and Japan. These two poorer countries are also unlikely to have the same legal capacity to achieve success through ISDS.[100]

3.2.2 Small claims procedure

The second institutional improvement concerns the need for a small claims procedure within the ISDS mechanism. This proposal builds on the proposal Håkan Nordström and Gregory Shaffer advanced a few years ago on the development of such a procedure within the WTO.[101] That earlier proposal sought to enable developing countries to make greater use of the WTO dispute settlement process. It further called for the provision of legal aid 'by offering Members legal counsel funded out of the regular WTO budget or a designated legal aid fund'.[102] As Professors Nordström and Shaffer explained:

> What is insignificant for some Member states is highly significant to others. A million dollars in foregone export revenue may not matter much for the European Union or the United States; it would only be a few seconds worth of exports. For small developing countries like Burundi, Gambia, and Guinea-Bissau, on the other hand, $1 million corresponds to about 1.45 percent of annual exports, or put in relationship to national income, between 0.17 and 0.42 percent of gross domestic product ... Forgone export revenue of this magnitude would not be a small order for them.
>
> What is 'small' is thus a relative concept. Yet the WTO Dispute Settlement ... system does not take into account the inherent variation in exports across the WTO's membership. A case worth $1 million is treated in the very same

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[98] C L Lim, D K Elms and P Low, 'What Is "High-Quality, Twenty-First Century" Anyway?' in Lim, Elms and Low (n 55) 12.

[99] 'GDP Per Capita (Current US$)' <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2015> accessed 15 May 2018.

[100] Dreyfuss and Frankel (n 65) 600; Franck (n 22) 484; Tienhaara (n 37) 612.

[101] H Nordström and G Shaffer, 'Access to Justice in the WTO: A Case for a Small-Claims Procedure?' in C Thomas and J P Trachtman (eds), *Developing Countries in the WTO Legal System* (Oxford: Oxford University Press 2009).

[102] Ibid 195.

> way (at least formally) as a case worth $1 billion. The timetable is the same, the submission requirements are the same, the standard of proof is the same, the appeal procedures are the same; *everything* is the same unless the parties opt for the alternative resolution mechanisms offered by the [Dispute Settlement Understanding] ...[103]

Professors Nordström and Shaffer's proposal for developing a small claims procedure within the WTO could be used to improve the ISDS process in the TPP or other international trade or investment agreements. As noted earlier, the high costs of ISDS arbitrations will be immensely burdensome on host states in the developing world. They will also virtually guarantee that most developing country businesses will be unable to afford ISDS arbitrations – other than to file, or threaten to file, ISDS complaints, perhaps. To avoid this grossly unfair arrangement and the one-sided benefits that the ISDS mechanism presently provides, establishing a small claims procedure within this mechanism will be quite urgent.

3.2.3 Appellate mechanism

The final institutional improvement concerns the need for an appellate mechanism. As Cynthia Ho observed in regard to the problems raised by a lack of such a mechanism in ISDS proceedings:

> A major complaint is that the system results in inconsistent decisions because there is no binding precedent, tribunals interpret provisions broadly, and there is no appeal system. Although tribunals often rely on prior decisions and awards, and counsel for parties regularly cite prior decisions, the lack of hierarchy among tribunals as compared to traditional court systems, as well as the lack of an appellate system, may result in unpredictability.[104]

Unlike the first two improvements, however, TPP negotiators have actually anticipated the need for this final improvement. Article 9.23.11 of the TPP Agreement explicitly declares:

> In the event that an appellate mechanism for reviewing awards rendered by investor-State dispute settlement tribunals is developed in the future under other institutional arrangements, the Parties shall consider whether awards rendered under Article 9.29 (Awards) should be subject to that appellate mechanism. The Parties shall strive to ensure that any such appellate mechanism they consider adopting provides for transparency of proceedings

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[103] Ibid 193.
[104] Ho (n 19) 234.

similar to the transparency provisions established in Article 9.24 (Transparency of Arbitral Proceedings).

The conditional language that started this provision suggests that the TPP negotiators did not oppose the introduction of an appellate mechanism. Instead, they might have merely failed to reach a consensus within the limited negotiation time on how this mechanism was to be set up, or whether the mechanism was needed in the first place.[105] The proverbial door therefore remains open.

The choice of language in the TPP Agreement regarding the possible future development of an appellate mechanism is consistent with the negotiation of the Transatlantic Trade and Investment Partnership (TTIP), a pact that has been widely considered to be the TPP's trans-Atlantic counterpart. During the TTIP negotiations, the European Commission advanced a proposal for the establishment of an investment court system, which includes an Appeal Tribunal that consists of two members each from the European Union, the United States and third countries.[106] It remains to be seen whether the United States will be receptive to this proposal, or even whether the US Trump administration will continue the TTIP negotiations.

To a large extent, the proposal for developing an appellate mechanism in the TPP Agreement is similar to the proposals that commentators have thus far advanced, which range from the creation of an ISDS court to the development of an appellate mechanism similar to the one involving the WTO Appellate Body.[107] Such an appellate mechanism will be

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[105] H von der Burchard, 'EU Faces Tough Sell on TTIP Compromise' (*Politico*, 10 February 2016) <www.politico.eu/article/eu-faces-tough-sell-on-ttip-compromise-malmstroem-froman/> accessed 7 September 2016.

[106] European Union's Proposal for Investment Protection and Resolution of Investment Disputes (2015) § 3, art 10.2. On this proposal, see D J Gervais, 'Investor-State Dispute Settlement: Human Rights and Regulatory Lessons from *Lilly v Canada*' (2018) 8 UC Irvine L Rev (forthcoming); S Schacherer, 'TPP, CETA and TTIP between Innovation and Consolidation – Resolving Investor-State Disputes under Mega-regionals'(2016) 7 J of Intl Dispute Settlement 628; S W Schill, 'The European Commission's Proposal of an "Investment Court System" for TTIP: Stepping Stone or Stumbling Block for Multilateralizing International Investment Law?' (*ASIL Insights*, 22 April 2016) <www.asil.org/insights/volume/20/issue/9/european-commissions-proposal-investment-court-system-ttip-stepping>.

[107] Dreyfuss and Frankel (n 65) 601; Ho (n 19) 235; I Kalnina and D Di Pietro, 'The Scope of ICSID Review: Remarks on Selected Problematic Issues of ICSID Decisions' in Binder et al. (n 30) 245–6; Okediji (n 39) 1137; A H Qureshi, 'An Appellate System in International Investment Arbitration?' in

particularly attractive if policymakers, commentators and civil society organizations remain concerned about the 'development bias'[108] of ISDS arbitrators. As Susan Franck reasoned:

> If outcome is linked to the development status of the presiding arbitrator and there is disparate pressure to favor the developed world, having standing judges with secure tenures may enhance integrity and independence. In order to eliminate pressure to join a club or secure repeat appointments, a standing body could provide judicial oversight and create an environment that favors rule of law adjudication. Moreover, such an institution could foster the judicialization of international economic law and provide a backstop to create certainty about contested legal issues, thereby increasing the integrity of the dispute resolution system.[109]

Given the wide range of proposals that experts have provided, many models now exist to improve the TPP ISDS mechanism. One model worth considering is the inclusion of some former WTO panellists or Appellate Body members in the appellate mechanism.[110] Such a cross-institutional setup will not only enhance the mechanism's quality, but will further promote coherence[111] and cross-fertilization[112] between the ISDS process and the WTO dispute settlement process. Such coherence and cross-fertilization, in turn, will ensure the healthy development of the international intellectual property regime.[113] They will further alleviate the problems posed by the increasing use of parallel proceedings to

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Muchlinski, Ortino and Schreuer (n 30); Reinisch (n 31) 910–11; P K Yu, 'Crossfertilizing ISDS with TRIPS' (2017) 49 Loyola U Chicago LJ 321, 341–7. On the development of an appellate mechanism within ISDS, see Kalicki and Joubin-Bret (n 15) 403–505.

[108] Franck (n 22) 451.

[109] Ibid 484.

[110] Yu (n 107) 344–7. Other commentators have similar suggestions: for example, T R Posner and M C Walter, 'The Abiding Role of State-State Engagement in the Resolution of Investor-State Disputes' in Kalicki and Joubin-Bret (n 15) 389–91; A R Ziegler, 'Investment Law in Conflict with WTO Law?' in Bungenberg et al. (n 30) 1800.

[111] WTO, *United States – Standards for Reformulated and Conventional Gasoline* (WT/DS2/AB/R, 29 April 1996) pt III.B; Ho (n 19) 247; UNCTAD-ICTSD Project on Intellectual Property Rights and Sustainable Development, *Resource Book on TRIPS and Development* (Geneva: UNCTAD-ICTSD Project on IPRs and Sustainable Development 2005) 130.

[112] S P Subedi, *International Investment Law: Reconciling Policy and Principle*, 2nd edn (Oxford: Hart 2012) 158.

[113] P K Yu, 'International Enclosure, the Regime Complex, and Intellectual Property Schizophrenia' (2007) Michigan State L Rev 1, 18–19.

challenge intellectual property and intellectual property-related regulations in developing countries, such as those via WTO dispute settlement and ISDS.[114] Indeed, in intellectual property-related investor-state disputes, ISDS arbitrators will increasingly have to address questions concerning the extent of protection and limitation as provided in the TRIPS Agreement.

Thus far, some commentators have already called for the exclusion of intellectual property investments in ISDS.[115] Although international investment agreements generally define investment broadly to cover all forms of investments, it is not unusual to exclude certain unique forms of investments from ISDS. In the TPP Agreement, for example, Article 9.3.3 states specifically that the investment chapter 'shall not apply to measures adopted or maintained by a Party to the extent that they are covered by Chapter 11 (Financial Services)'. If a carve-out can be created for financial services – and, upon election, tobacco control measures – a similar carve-out can certainly be created for intellectual property rights – at least when there is enough political will.

Notwithstanding the possibility of creating such a carve-out, it is worth remembering that ISDS is attractive to private investors because it provides finality.[116] The more steps there are in a process – appellate or otherwise – the longer it will take for a dispute to be finally resolved. Ultimately, whether an appellate mechanism should be introduced will depend on how efficiency and expedition are to be balanced against fairness and legitimacy. Given the high stakes involved in ISDS arbitrations and the arbitrations' controversial nature and continuous opposition, having an appellate mechanism built into the ISDS process to ensure greater fairness and legitimacy is eminently sensible.

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[114] D Kalderimis, 'Exploring the Differences between WTO and Investment Treaty Dispute Resolution' in S Frankel and M K Lewis (eds), *Trade Agreements at the Crossroads* (London: Routledge 2014) 58; K Yannaca-Small, 'Parallel Proceedings' in Muchlinski, Ortino and Schreuer (n 30).

[115] Baker and Geddes (n 50) 58; S Flynn, 'TPP Carve Out for Tobacco Shows Core Flaws in Investor-State Dispute Settlement (ISDS)' (*Infojustice.org*, 1 October 2015) <infojustice.org/archives/35107> accessed 7 September 2016; Ho (n 19) 255.

[116] C Brown and K Miles, 'Introduction: Evolution in Investment Treaty Law and Arbitration' in Brown and Miles (n 34) 11; Kalnina and Di Pietro (n 107) 245–6; J Lee, 'Introduction of an Appellate Review Mechanism for International Investment Disputes: Expected Benefits and Remaining Tasks' in Kalicki and Joubin-Bret (n 15) 493.

CONCLUSION

In the run-up to the conclusion of the TPP Agreement and during the subsequent debate concerning its ratification, the agreement's investment chapter and its ISDS mechanism have been highly controversial. For the purposes of this volume, the Agreement has provided an ideal vantage point for us to closely evaluate the mechanism's strengths and weaknesses. Such an evaluation will enable us to understand why countries remain reluctant to ratify the TPP Agreement – or, for that matter, the CPTPP. It will also allow us to explore further what concrete measures can be instituted to improve ISDS.

Although developing country policymakers, academic and policy commentators, and civil society organizations continue to strongly oppose the use of investment law in the intellectual property arena, it is high time we started preparing for such growing use in the intellectual property field. Greater preparation and engagement in this area will not only help us improve ISDS, but will also allow us to develop a better understanding of this highly controversial mechanism. A deepened understanding, in turn, will enable us to more effectively resist the use of investment law in the intellectual property field.

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20. Does the WTO Appellate Body 'make' IP law?

Daniel Gervais

INTRODUCTION

This chapter turns the analytical spotlight placed on the role of the Judiciary in IP policymaking to a somewhat different judicial context: the settlement of international trade disputes at the World Trade Organization (WTO). The WTO was established on 1 January 1995. The Agreements it administers, and which binds all WTO Members (164 as of October 2016), include the Dispute Settlement Understanding (DSU).[1] The DSU is akin to a 'code of civil procedure' for WTO disputes. The DSU establishes a Dispute Settlement Body (DSB) to 'exercise the authority of the General Council and the Councils and committees of the covered agreements'.[2]

Two key new features were introduced by the DSU as compared to the pre-existing organization administering the General Agreement on Tariffs and Trade (GATT). First a standing Appellate Body (AB) composed of seven members was established to hear appeals from panel reports. Second, while as under the GATT system, panel and Appellate Body reports (this is why they are not called decisions or judgments) must be adopted by the DSB to become 'enforceable' under WTO law,[3] the adoption rule was changed from consensus to negative consensus. This means that under the GATT a consensus (including the party that 'lost' the dispute) had to agree to the adoption; now the reports are adopted

[1] WTO Understanding on Rules and Procedures Governing the Settlement of Disputes (hereinafter DSU) Annex 2, Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, 15 April 1994.

[2] World Trade Organization, A Summary of the Final Act of the Uruguay Round, <https://www.wto.org/english/docs_e/legal_e/ursum_e.htm#Understanding> accessed September 2017.

[3] DSU, Article 21.

unless there is a consensus not to. This makes adoption all but automatic in most cases.

The chapter considers the role of the Appellate Body as a judicial body. It begins in section 1 with a brief *tour d'horizon* of the arguments favoring specialized courts versus general ones, and courts versus legislative bodies. This is also meant to contribute to the broader discussion reflected in many chapters of the book. In section 2, the chapter then considers whether the Appellate Body can be compared to a domestic court, and if so, whether it can be compared to a common law court, and whether it is more similar to a general or specialized court. In section 3, the chapter examines the contributions made by the Appellate Body in the field of intellectual property specifically. It discusses the three cases involving the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement that made it to the Appellate Body, and looks ahead at the plain packaging cases (pending as of this writing). The chapter ends with a few concluding thoughts.

1. COURTS MAKING (IP) LAW?

1.1 General versus Specialized Courts

I will posit that all courts make law. This strikes me as mostly uncontroversial, at least in providing an interpretation of undefined terms and filling interstitial gaps in the texts they must interpret and apply to specific fact patterns. What may be controversial is the extent to which they do so, the methods they use, and how open they are about the process. This issue is examined in other chapters. I limit my analysis to asking whether specialized courts are better than general courts at 'making' intellectual property law.

Let us consider arguments on both sides. Specialized courts or judges have subject-matter expertise, which is certainly desirable. Indeed, in its 2016 report on the matter the International Chamber of Commerce concluded, after reviewing Specialized Intellectual Property (IP) Jurisdictions (SIPJs) in 19 countries, that expertise was the dominant factor.[4] Limiting judges to a single right such as patents, however, can be disadvantageous, as their policy lens is often too narrow and might even be subject to capture. There is also obviously an issue of institutional

[4] International Chamber of Commerce, *Adjudicating Intellectual Property Disputes* (ICC, Paris, 2016), 28 <http://www.iccwbo.org/Data/Policies/2016/ICC-report-on-Specialised-IP-Jurisdictions/> accessed September 2017.

scope and related jurisdictional boundaries problems in having 'IP courts' as opposed to having de facto specialized judges within a court of general jurisdiction. Procedurally, a motion to remove a case to or from the specialized court implies defining what IP, in fact, is.[5]

Another possible difference is that a general court may be tempted to apply principles of law or equity not specific to IP to interpret an IP rule or standard, or modulate its application. Indeed one could argue that in applying remedies it should be so. Of course, a specialized judge may do so as well, but she may be tempted to look at norms extrinsic to her area of specialization less frequently.[6] An example might be the application of equitable principles to the issuance of injunctions in the United States, which came to the Supreme Court, reversing (in part) the Court of Appeals for the Federal Circuit.[7]

In Commonwealth jurisdictions, the reference by Lord Diplock to 'other special factors to be taken into consideration in the particular circumstances of individual cases' in the seminal case of *American Cyanamid Co (No 1) v Ethicon Ltd*[8] also comes to mind in this context. This application of general principles to the field of intellectual property may be particularly relevant when dealing with fundamental—including constitutional—principles that a general court may more readily resort to instead of spending time in the weeds of IP-specific rules and standards.

1.2 Courts versus Legislators

Are courts (general or specialized) better at making IP policy than legislative bodies?[9] In the best-case scenario legislators act on the basis of information provided by as many stakeholders as possible, and independent analysis, such as cost–benefit studies produced by the US

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[5] This discussion is based on the introduction of S Frankel and D Gervais, *The Internet and the Emerging Importance of New Forms of Intellectual Property* (Alphen aan den Rijn: Kluwer, 2016).

[6] This would be an interesting empirical matter to study.

[7] In *eBay Inc v MercExchange, LLC*, 547 US 388 (2006) the Supreme Court of the United States decided that an injunction should not be automatically issued based on a finding of patent infringement. Instead, a court must apply a four-factor test, the last factor being that 'the public interest would not be disserved by a permanent injunction'.

[8] *American Cyanamid Co (No 1) v Ethicon Ltd* [1975] UKHL 1.

[9] Indeed a thorough analysis would require an examination of the third branch of government, namely the Executive Branch and specifically specialized agencies.

Congress.[10] Legislative policy aims at the big picture. It makes general rules. In democracies, legislators are elected and entrusted by constitutional documents and principles with making law and policy choices. That is a main part of their job. As a result, one could argue that they should be better at it than courts.

There are many factors that may cast doubt on the accuracy of legislative policymaking. By 'accuracy' I mean the ability to state and then achieve the stated policy objective in a measurable way. In the case of intellectual property, the target can sometimes be quite broad, such as, say, to generate an increase in a certain category of public goods.[11] Then even if a regulatory target is properly identified policymakers in a legislative context must be able identify specific policies or policy changes that will effectively implement the policy objectives. Will the policymakers have a clear picture or will it be based primarily on lobbying efforts, which are unlikely, even in aggregate, to represent all the interests at stake?

In the case of new or fast changing technologies this is a risky and difficult endeavor because the technology or markets might change significantly during the policy analysis and legislative processes. These processes are often slow. By the time a regulation is in place, the regulated technological target may already be outdated or have changed to defeat the regulation. This difficulty (the moving technological target) is often compounded by fluctuations in social norms. Then there are rarely feedback loops to adjust the regulatory framework if the target is missed. Moreover, attempts to factor in unintended consequences are rare. Yet unintended consequences may defeat the regulatory attempt by generating more negative consequences than any positive ones brought about by the policy change. For example, the policy change may interrupt or divert potential chains of events that might have yielded substantial benefits.[12] Then the national legislator is limited in what it can do by the relinquishment of sovereignty agreed upon in international treaties, the apex of which (in terms of enforceability) would be trade agreements

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[10] These are often mandated by law for administrative agencies. See A Sinden, 'Cass Sunstein's Cost-Benefit Lite: Economics for Liberals' (2004) 29 Columbia Journal of Environmental Law 191, 197.

[11] See C Geiger, 'The Social Function of Intellectual Property Rights, Or How Ethics can Influence the Shape and Use of IP Law' in G B Dinwoodie (ed.), *Intellectual Property Law: Methods and Perspectives* (Cheltenham, UK / Northampton, MA, Edward Elgar, 2013) 153–177.

[12] See for example, D Gervais, 'The Regulation of Inchoate Technologies' (2010) 47 Houston Law Review 665.

subject to state-to-state but also increasingly frequently investor–state dispute settlement mechanisms.[13]

Why would judicial policymaking be better? Courts are better situated than the legislator because the risk of capture is much lower and because a court has in front of it a precise set of facts and detailed evidence when making a decision. Courts can also revise or refine previous judgments and rulings to reflect changing circumstances. They are thus often more nimble than legislators. Yet they also have two disadvantages here. First, at least in common law jurisdictions, *stare decisis* limits that ability. *Stare decisis*, which means more or less 'to stand by things decided' applies both vertically (a lower court must follow a precedent by a higher court unless it can be distinguished), but also horizontally, meaning that a court will be reluctant to overrule its own precedents. Courts tend to make evolutionary changes, seldom revolutionary ones. Second, the narrower case-by-case focus of the exercise may sometimes miss the big picture impact of their judgments. Even so, key IP judgments in most major jurisdictions—undeniably in my view—have had policy impacts similar to legislation, if not greater.

As noted above, both general and specialized courts can factor in 'public values'—without the same risk of capture as legislators. This is true especially of values that are reflected in fundamental principles of law such as those enshrined in constitutional documents. My colleague Ed Rubin, in a piece coauthored with Malcolm Feeley, offers an interesting insight on this point:

> [P]olicy making inheres in the basic structure of a modern judiciary. For the foreseeable future, therefore, any discussion of litigation against the government must incorporate the fact that such litigation will regularly induce the judiciary to make public policy. Perhaps the strongest defense of this position is Owen Fiss claim that as 'coordinate branches' of government the federal courts have not only a right, but an obligation to make policy. He argues that the [US] Constitution creates the agencies of government, describes their functions, and determines their relationships, but that in addition it also identifies the values that will inform and limit this governmental structure.

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[13] Courts may also be bound to apply norms contained in international treaties if national law so dictates or permits. An example closer to 'permit' than 'dictate' is found in in the United States. In the US, a doctrine that is relevant in this context is named after a schooner called *Charming Betsy* seized in 1800 in open seas by a US frigate. It led to a Supreme Court opinion, *Murray v Schooner Charming Betsy*, (1804) 6 US (2 Cranch) 64. The Supreme Court stated that an 'act of Congress ought never to be construed to violate the law of nations if any other possible construction remains' (ibid. 118).

Adjudication, he maintains, is the social process by which judges give meaning to our public values.[14]

1.3 Judicial Policymaking outside the Common Law World

I can hear an old objection to the train of thought reflected in the previous section, namely that civil law courts do not make policy. I do not believe this is a valid objection but I do acknowledge that differences exist. For example, judges in several civil (or 'Continental' as the term is often used in the European legal academy) jurisdictions are career judges, as would be the case in France, Germany and Italy for example. High courts often do not cite previous judgments in their judgments.[15] More importantly, courts in common law countries are bound by and apply the *stare decisis* doctrine. It is true of course that this doctrine does not exist in civil law countries. However, courts in civil law countries do tend to follow rulings of higher courts, if only to reduce the risk of reversal. They must also refine and set guidelines for the application of standards. Conversely, courts in common law countries can often 'distinguish' a previous ruling they do not wish to follow. While the process is theoretically quite different as a matter of positive law, outcomes are often similar. This is true of several key doctrines that start from different ports but end up in similar docking bays in property, tort and contract law.[16]

The presence of a statute does not change this. Courts in all jurisdictions must interpret and fill gaps and interstices in the text of statutes. The more the statute is standard-like (like the general civil liability principle in Article 1382 of the French Civil Code[17]), the greater this role will be. There is 'common law' in IP as there is common law in contract and tort law, even if a statutory text contains many of the basic rules and principles. In other words, the historical process looks different but once again the end result, not so much.

Indeed, common law is everywhere in IP policy. I could cite judgments by supreme and appellate courts in Australia, Canada, India, New

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[14] E L Rubin and M M Feeley, 'Judicial Policy Making and Litigation against the Government' (2003) 5 Univ of Pennsylvania J Constitutional Law 617, 618 (footnotes omitted).

[15] See K Zweiger and H Körtz, *An Introduction to Comparative Law* (3rd edn, Oxford: Oxford University Press, 1998) 123.

[16] Ibid.

[17] This article provides that any act that causes damages to another, obliges the person by whose fault it occurred to repair it.

Zealand, South Africa, the UK, the US and many other common law jurisdictions that have shaped IP law and policy. Yet the same is true in civil law countries. The French *Cour de cassation* defined originality in copyright law, as did the US Supreme Court in *Feist*,[18] the Canadian Supreme Court in *CCH*, the Australian High Court in *IceTV*, the New Zealand Supreme Court in *Holdfast v Henkel* and other cases.[19] The rules of secondary liability are often court-defined in IP, as in the application of the German *Störerhaftung* doctrine in trademark cases. It is courts, in both civil and common law jurisdictions, including at the European Patent Office (EPO), that have decided whether and how gene sequences can or cannot be industrially applicable or otherwise patentable.[20]

2. THE APPELLATE BODY AND INTELLECTUAL PROPERTY

2.1 The Appellate Body as Court

The WTO Appellate Body can be considered with an analytical lens similar to the one used in section 1. Like courts, it may be tempted to apply 'general' principles of trade (or WTO) law to the area of intellectual property as a court applies general principles of law to intellectual property cases. It must also apply general interpretive rules, such as the Vienna Convention. This makes it perhaps more similar to a general court than a specialized one, even though it is a 'specialized' trade court, a matter to which I return in section 2.2 below. Let us now just ask whether the Appellate Body can be called a 'court'.

The Appellate Body must, like courts, interpret agreements—including TRIPS—that are necessarily incomplete. This may be so for several reasons, including that some terms are left undefined; the definitions they contain are unclear; or there are missing elements and interstices in the texts. Then the impact of Appellate Body reports is often similar to judgments of domestic supreme courts. Those reports are issued by what

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[18] *Feist Publications, Inc., v. Rural Telephone Service Co.*, 499 U.S. 340 (1991).

[19] *CCH Canadian Ltd v Law Society of Upper Canada* [2004] 1 SCR 339; *IceTV* (2009) 239 CLR 458; *Holdfast NZ Ltd v Henkel KGaA* [2007] 1 NZLR 336.

[20] I am tempted to go on a tangent here and discuss whether the EPO and the Court of Justice of the European Union (CJEU) are civil law jurisdictions or not, but I will leave that for another day.

one could call the 'supreme court' of the WTO after all. Appellate Body reports, once adopted, become WTO law for the parties involved, in the sense that they become enforceable through mechanisms provided under the DSU, but they may also offer interpretive pathways for future disputes. The fact that these reports are few and far between (especially in the case of the TRIPS Agreement) means that they become jurisprudence from the tea leaves of which experts try to construct a more coherent and comprehensive body of law. The abundant literature on the three-step test as interpreted not by the Appellate Body but by two dispute settlement panels, provides clear evidence of this.[21]

The Appellate Body plays a crucial role in the construction of the world trade edifice. To paraphrase Alec Sweet, the Appellate Body, like national courts, not only upholds credible commitments in the area of world trade, it has also been said to have enacted normative elements of the international trade regime.[22] One important difference between a court judgment and reports of both panels and the Appellate Body is of course that, as noted in the introduction, panel and Appellate Body reports must be adopted. It is the adoption of a report by the DSB that makes it 'enforceable' under WTO law. As Article 21 of the DSU provides, compliance is expected with recommendations and rulings of the DSB, not the panel or AB report. Hence, one might retort that national court judgments are not subject to a political adoption process and that panel and Appellate Body reports are intrinsically different from court judgments. The adoption is now more or less automatic, however, and reports are not amended when adopted. Arguments that the adoption of reports means the dispute settlement system does not function like a

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[21] The two reports, both issued in 2000, are Canada—Patent Protection of Pharmaceutical Products, WTO Doc. WT/DS114/R (2000), and United States—Section 110(5) of the US Copyright Act, 15 June 2000, WTO Doc. WT/DS160/R. For a discussion, see for example C Geiger, D Gervais and M Senftleben, 'The Three-Step Test', in D Gervais (ed.), *International Intellectual Property: A Handbook of Contemporary Research* (Cheltenham, UK and Northampton, MA, Edward Elgar Publishing, 2015) 246–271 and R Okediji, 'TRIPS Dispute Settlement and the Sources of (International) Copyright Law' (2001) 49 J Copyright Soc'y USA 585. A quick search on Westlaw in October 2016 of articles discussing the test in relation to one or both panel reports yielded 2,531 hits.

[22] See A Sweet 'Judicialization and the Construction of Governance', in M Shapiro and A Stone Sweet (eds), *On Law, Politics, and Judicialization* (Oxford: Oxford University Press, 2002) 63, 64–65 and Sh A Ghias, 'International Judicial Lawmaking: A Theoretical and Political Analysis of the WTO Appellate Body' (2006) 24 Berkeley J Int'l L 534, 553.

court but more like an advisory body are unsustainable. The argument stood with much more force in the GATT where adoption required a consensus, thus requiring the losing party not to object and providing a de facto veto. Under WTO rules, a reverse or negative consensus rule applies, so that reports are adopted unless there is a consensus not to.

2.2 The Appellate Body as Common Law Court

Is the Appellate Body a common law jurisdiction? This seems like a simple question, and in a way it is. If the query is seen as binary, then no, the Appellate Body is clearly not a common law jurisdiction: it neither has a formal *stare decisis* doctrine, nor does it 'make law'. In fact, WTO law specifically proscribes adding to negotiated concessions by interpretation.[23] Is my first question truly a binary one, however? As the examples discussed above demonstrate, there is another way to look at the difference between common law and civil law, namely as a spectrum of roles that the judiciary can play in making policy choices.

This makes the analysis more nuanced. While there is no *stare decisis* doctrine at the WTO, the Appellate Body has said that panels, basically comparable to courts of first instance, *should* follow Appellate Body 'precedents' unless they have a very good reason not to. In practice, panels generally do follow not only Appellate Body reports, but also in most cases previous panel reports as would be expected by judges in the same court in a domestic context.

The Appellate Body does at time show some of the attributes of a common law court. Let us take, for example, the report issued by the Appellate Body in Mexico – Tax Measures on Soft Drinks and Other Beverages.[24] The report begins with a list of 21 cases cited in this report.[25] Those cases are cited—in some cases several times—as support for claims in the report. Indeed the report contains several sentences that could come straight from the pen (well, keyboard) of a common law judge. Here are but two examples: 'The Appellate Body explained, in *Korea – Various Measures on Beef*, that two elements must be shown "[f]or a measure, otherwise inconsistent with GATT 1994, to be justified provisionally under paragraph (d) of Article XX."'[26] Even more convincing perhaps: 'Mexico also asserts that the Panel, in its reasoning, incorrectly relied on the Appellate Body Report in *US – Gambling*. We

[23] See DSU, Articles 3.2 and 19.2.
[24] WT/DS308/AB/R, 6 March 2006.
[25] Ibid., 2–4.
[26] Ibid., 18.

agree with Mexico that the US – Gambling Report does not support the conclusion that the Panel sought to draw from it.'[27]

If the Appellate Body sometimes walks like a common law court, is it true that the Appellate Body does not 'make law' as a common law court does? A rule against adding non-negotiated concessions by interpretation does not negate entirely the possibility of 'making law'. It is, in other words, largely a matter of definition. True, the Appellate Body has 'made' no (or very little) law in IP cases, but that may be in part because key panel reports such as those on the three-step test were not appealed. As the Appendix at the end of this chapter shows, in the 34 WTO cases that have involved one or more articles of the TRIPS Agreement, 10 went to a panel, and three of those 10 to the Appellate Body. Of the remaining 24 cases, five are currently active as a single case (plain packaging—discussed below). All others formally settled (a mutually agreed solution) or never made it past the initial request for consultations.

2.3 The Appellate Body as 'General' Court

The Appellate Body may perhaps be compared to a general tribunal, but a general *trade* tribunal. Hence, the general versus specialized debate takes on a different hue. It is not about general domestic law versus IP law, but rather IP versus trade—or IP seen as trade law. That said, as a formal matter at least, the Appellate Body and the panels whose reports it reviews are not those of a general court because their jurisdiction is limited by the request to establish the initial panel. As the Appellate Body explained in *EC-Bananas*:

> Article 6.2 of the DSU requires that the claims, but not the arguments, must all be specified sufficiently in the request for the establishment of a panel in order to allow the defending party and any third parties to know the legal basis of the complaint. If a claim is not specified in the request for the establishment of a panel, then a faulty request cannot be subsequently 'cured' by a complaining party's argumentation in its first written submission to the panel or in any other submission or statement made later in the panel proceeding.[28]

This rule was applied to a TRIPS case—in fact the first case filed under the TRIPS Agreement—to refuse a request by the United States to invoke Article 63 of TRIPS in its case against in India because Article 63 had

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[27] Ibid., 20.

[28] European Communities—Regime for the Importation, Sale and Distribution of Bananas (WT/DS27/AB/R) para 143.

not been mentioned in the request for establishment of a panel and, hence, did not come within the panel's terms of reference in that case.[29] In this procedural sense the Appellate Body functions more like a specialized court, which must justify its jurisdiction.

One argument that might support this type of reading of TRIPS is, as the WTO Appellate Body put it following the Vienna Convention's direction about use of context in the interpretation of treaties, that '[i]t is important to understand that the WTO Agreement is one treaty', and 'the provisions of the WTO Agreement and the Multilateral Trade Agreements included in its Annexes 1, 2 and 3 must be read as a whole'.[30] The application of the Vienna Convention to WTO disputes, which is beyond cavil at this point,[31] is consistent with Article 3(2) of the DSU, which provides in part that 'Members recognize that [the dispute settlement system] serves to preserve the rights and obligations of Members under the covered agreements, and *to clarify the existing provisions of those agreements in accordance with customary rules of interpretation of public international law*' (emphasis added).

There are bargained-for concessions in TRIPS that must be applied when 'clear'. Indeed, according to the classic rhetoric, for major intellectual property owners, 'adequate intellectual property protection in developing countries represents a long-awaited bargained-for exchange for favorable tariff concessions in developed countries'.[32] Whether this bargain was adequate is obviously a different issue.[33]

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[29] India—Patent Protection for Pharmaceutical and Agricultural Chemical Products, WT/DS50/AB/R, para 90.

[30] Korea—Definitive Safeguard Measure on Imports of Certain Dairy Products, Appellate Body Report, WT/DS98/AB/R, at paras 75, 81 (1999).

[31] See Japan—Taxes on Alcoholic Beverages, AB-1996-2, WT/DS8,10,11/AB/R (4 October 1996), at 10, citing United States—Standards for Reformulated and Conventional Gasoline, AB-1996-1, WT/DS2/AB/R (29 April 1996), at 17.

[32] T N Samahon 'TRIPS Copyright Dispute Settlement after the Transition and Moratorium: Nonviolation and Situation Complaints against Developing Countries' (2000) 31 Law and Policy in International Business 1051, at 1052.

[33] See D Gervais, 'TRIPS and Development' in M David and D Halbert (eds), *SAGE Handbook on Intellectual Property* (Thousand Oaks, CA: Sage, 2014).

3. THE TRIPS AGREEMENT BEFORE THE APPELLATE BODY

3.1 Past Disputes

There were three TRIPS cases that made it to the Appellate Body. Here they are, presented chronologically:

1. DS50, the dispute brought against India by the United States for the lack of mailbox protection for Pharmaceutical and Agricultural Chemical Products until those could be protected by patent in India in 2005[34];
2. DS170, the case also filed by the United States this time against Canada concerning the way Canada counted its term of protection when it switched to a term of 20 years from filing instead of 17 years from grant[35]; and
3. DS176, the case filed against the United States by the European Union concerning Section 211 Omnibus Appropriations Act of 1998, sometimes referred to as the *Bacardi* case.[36]

In the first case, the panel report was mostly upheld by the Appellate Body. In the second it was basically entirely upheld. In the third the Appellate Body reversed a significant portion of the panel's findings. This small size of the dataset (three cases) and the variation in outcomes does not allow us to draw a meaningful conclusion on whether the Appellate Body is more likely than not to reverse a panel on the interpretation of TRIPS. There are other analyses of the Appellate Body's performance more generally but I will not go further down that path today.

What lessons can we draw on substance from the three Appellate Body reports? Without a full summary of each, I will briefly discuss the main findings in each case.

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[34] India—Patent Protection for Pharmaceutical and Agricultural Chemical Products, WT/DS50/AB/R, 19 December 1997 (hereinafter India).

[35] Canada—Term of Patent Protection, WT/DS170/AB/R, 18 September 2000 (hereinafter Canada).

[36] United States—Section 211 Omnibus Appropriations Act of 1998, WT/DS176/AB/R, 2 January 2002 (hereinafter 211).

3.1.1 India

In the first case, the Appellate Body concurred with the panel that even though India has a de facto administrative practice to implement its obligation to provide a mailbox to preserve the novelty of patent application while it was implementing patent protection for pharmaceutical products, that system needed to be supported by legislation. This suggests that adopting implementation measures formally in legislation seems to be required. Conversely, as the *China* case[37] shows (even though it led to a panel report only and did not make it to the Appellate Body), if legislation is adopted by a Member but applied in a way that another Member considers inadequate, it may be much harder to make a case for infringement, especially in the absence of non-violation disputes under TRIPS.[38]

In *India* the Appellate Body also discussed its examination of domestic (or 'municipal') law. It noted that '[m]unicipal law may serve as evidence of facts and may provide evidence of state practice. However, municipal law may also constitute evidence of compliance or noncompliance with international obligations.'[39] The Appellate Body then reached the conclusion, as noted above, that the mailbox system required under Article 70 of TRIPS had to have a 'sound legal basis' in Indian law, not just de facto application.

3.1.2 Canada

In the second case, both the panel and the Appellate Body rejected Canada's argument that its implementation of the 20-year rule was substantively equivalent on the whole to a 20-year post-filing term. The Appellate Body concurred that the term had to be at least 20 years from filing.

Section 45 of the Canadian Patent Act was at issue in this dispute. Before 1 October 1989, Canada provided patent protection for a period of 17 years from the date of grant. The Patent Act was amended on 1 October 1989 and protection was granted for a term of 20 years from the date of filing of the patent application or all applications filed as of such date. However, the amended Act did not provide for any transitional period or mechanism for a conversion from one system to another. As a

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[37] China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights, WT/DS362/R, 26 January 2009.

[38] See D Gervais, 'World Trade Organization Panel Report on China's Enforcement of Intellectual Property Rights' (2009) 103:3 American Journal of International Law 549–554.

[39] Ibid., para 65.

result, s.44 of the Patent Act provided for a term of 20 years from the date of application for a patent only for applications filed on or after 1 October 1989, while s.45 provides for the term of 17 years from the date of a grant of a patent for the patents applications filed before 1 October 1989. The United States alleged that the TRIPS Agreement obligates Members to grant a term of protection for patents that runs at least until 20 years after the filing date of the underlying protection, and requires each Member to grant this minimum term to all patents existing as of the date of the application of the Agreement to that Member, that is, from 1 January 1996, when the TRIPS Agreement became applicable in Canada.

The panel found that 'subject matter ... which is protected' in TRIPS on the date of application of the TRIPS Agreement under Article 70.2 included inventions that were protected by patents in accordance with s.45 of the Canadian Patent Act. The panel also found that s.45 of the Canadian Patent Act did not on its face make available a term of protection that did not end before 20 years from the date of filing as mandated by Article 33. The Appellate Body upheld all of the findings and conclusions of the panel. The Appellate Body established that the wording of Article 33 was simple and unambiguous, and therefore easily interpreted. Article 33 clearly defines the earliest date on which the patent protection may end. The calculation of the end of the term protection is a simple mathematical operation: adding 20 years to the date of filing.

The Appellate Body also established that the term of protection under Article 33 of TRIPS applied to existing subject matter as of date the Agreement entered into force in that particular Member. This meant that the term of protection of 20 years was applicable to the patents which had been granted and had not expired (thus being 'subject matter existing ... and which is protected' under Article 70.2) at the time the Agreement entered into force.[40] The Appellate Body pointed out that this interpretation did not mean retroactive application of the TRIPS Agreement.

As in the previous case, the Appellate Body considered Canadian law, not just its practical effects, and concluded that when TRIPS requires that a right or form of protection be 'available', that meant 'available as a matter of legal right and certainty'.[41]

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[40] Canada, para 77.
[41] Ibid., para 90.

This second case dealt mostly with the application of subject matter in existence at the time of entry into force of TRIPS and this issue is of course much less relevant today.

3.1.3 The *Bacardi (211)* case

The third and final case was about extra steps that the owner of a non-US trademark expropriated in Cuba after the revolution had to jump through. The Appellate Body held that ss.211(a)(2) and (b) of the US Omnibus Appropriations Act of 1998 violated both national treatment and most-favoured nation (MFN) obligations under TRIPS Agreement. It also found that TRIPS applied to trade names as well as trademarks.

The third case, concerning Cuban trademarks, is fact-intensive. The European Community (EC) and its Member States alleged that s.211 of the US Omnibus Appropriations Act 1998 did not allow the registration or renewal in the United States of a trademark if it was previously abandoned by a trademark owner whose business and assets had been confiscated under Cuban law on or after 1 January 1959. The law also provided that no US court should recognize or enforce any effort to assert such rights, including rights in commercial and trade names.

The Panel rejected all the claims of inconsistency of the s.211 with the TRIPS Agreement and the Paris Convention, except that it found that s.211(a)(2) of the Omnibus Appropriations Act was inconsistent with Article 42 of the TRIPS Agreement, because it limited, under certain circumstances, right holders' effective access to and availability of civil judicial procedures.[42]

The Appellate Body found that s.211(a)(2) was not inconsistent with Article 42 of TRIPS because the rights in Article 42 were procedural in nature; they relate to the rights available in civil judicial procedure, whilst the rights in s.211 are substantive in nature, because they 'relate[s] to the ownership of a defined category of trademarks and trade names'. The Appellate Body concluded that Article 42 of TRIPS was not determinative of ownership, but rather recognized procedural rights to both intellectual property owners and other persons who have legal standing to assert the right.[43] The report thus pointed to a gaping hole in TRIPS, namely the fact that the Agreement does not regulate ownership of IP rights.

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[42] United States—Section 211 Omnibus Appropriations Act of 1998, WT/DS176/R.

[43] 211 paras 215–221.

The Appellate Body upheld the Panel's findings that s.211 did not violate the US's obligations under Article 2.1 of the TRIPS Agreement (when read in conjunction with Article 6 *quinquiesA* (1) of the Paris Convention which provides a mechanism to protect marks registered in one country in another country also party to the Convention), and Articles 15 and 16 of the TRIPS Agreement. It also upheld the Panel's finding that s.211(b) was consistent with Article 42 of the TRIPS Agreement. The Appellate Body reversed the Panel's conclusion that trade names were not a category of intellectual property protected under the TRIPS Agreement and then completed the analysis reaching the same conclusions for trade names as with respect to trademarks. It found that ss.211(a)(2) and (b) were consistent with Article 2.1 of the TRIPS Agreement (in conjunction with Article 8 of the Paris Convention). The DSB adopted the Appellate Body report, and the Panel report as upheld by the Appellate Body report, on 1 February 2002.

The Appellate Body also explicated the treatment of 'municipal law' it discussed in *India*. It wrote that under the DSU,

> a panel may examine the municipal law of a WTO Member for the purpose of determining whether that Member has complied with its obligations under the WTO Agreement. Such an assessment is a legal characterization by a panel. And, therefore, *a panel's assessment of municipal law as to its consistency with WTO obligations is subject to appellate review* under Article 17.6 of the DSU.[44]

In both *Canada* and *211*, the Appellate Body functioned more or less like a domestic appeal court, reviewing the 'judgment' below on questions of law only.

3.2 The Plain Packaging Cases

Facing the WTO dispute settlement system now is perhaps the most important case in TRIPS history thus far, namely the tobacco plain packaging cases. These five cases will be heard as one, with Ukraine dropping out as one of the complainants.

As a matter of law, I think the doctrinal analysis is fairly straightforward.[45] Saying that does not fully answer the question that the panel and, I suspect, the Appellate Body will have to answer, however. It seems

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[44] WT/DS176/AB/R, 2 January 2002, para 105 (emphasis added).

[45] See D Gervais and S Frankel, 'Plain Packaging and the Interpretation of the TRIPS Agreement' (2013) 46:5 Vanderbilt Journal of Transnational Law 1149–1214.

fairly clear that TRIPS Article 20 applies centrally to the case. It allows WTO Members to encumber the use of a trademark if the encumbrance is *justified*. This test is not commonly found in WTO texts.

Then TRIPS Article 8.1 is also relevant. It provides in part that WTO Members 'may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition', which was reportedly a key component of Australia's argument in justifying its plain packaging legislation (a justification would be also required if the panel applies Article 20). Reliance on Article 8 directly to justify a new exception is not the intended function of Article 8. If seen mostly as a policy statement about object and purpose (as required if the Vienna Convention applies), however, Article 8 could play a role: It could be used to support (as a normative matter) the justification for an exception adopted under another provision of the TRIPS Agreement, or in the plain packaging context, an evidence-based justification for an encumbrance under Article 20.[46]

Australia has also reportedly based its justification argument on non-WTO norms. It opens the door for the panel and the Appellate Body to do something that the WTO agreements do not do explicitly, namely to build bridges between WTO law and international law more broadly, thus potentially bringing the debate about a free trade bias in sharp focus. This is a fascinating possibility. How much international law will 'seep in'? Will the Framework Convention on Tobacco Control (FCTC) be considered a valid *justification* though it is extrinsic to the WTO system and only mentions plain packaging in non-binding guidelines? Depending on how it deals with those issues, reports in this case could lay the groundwork for the interface between public health and IP, and could even reshape or draw the contours of a new interface between international law and WTO law. Will it happen? The Vienna Convention's directions about interpretation in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose—and possibly also the application of 'any relevant rules of international law applicable in the relations between the parties'[47] (even though not all WTO members are party to it)[48]—offer tools to build bridges between TRIPS and the FCTC.

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[46] Ibid.

[47] Convention on the Law of Treaties Articles 31–32, 23 May 1969, 1115 UNTS 331 (entered into force 27 January 1980).

[48] Argentina, Cuba (party to a case against Australia), Haiti, Morocco, Mozambique, Switzerland, and the United States had signed but not ratified the Convention as of October 2016.

Dr Henning Grosse Ruse-Khan has suggested that the 'concept of justifiability embodies policy space for normative considerations and domestic value judgments that are—within the limits of accepted principles of treaty interpretation—up to the implementing WTO Member to make'.[49] I do not disagree but, as Professor Susy Frankel and I explained in a joint article,[50] how the panel and eventually the Appellate Body draw the limits of how far a Member is 'free' to justify a measure may end up mattering more to the future interpretation of TRIPS than the fairly straightforward application of the test in the Australia case(s). In other words, the interpretive process matters more in a medium and long term perspective than the exact meaning of Article 20.

CONCLUDING THOUGHTS

Questions examined in this chapter include how a trade tribunal, such as the Appellate Body, applies non-trade norms—because states undertake obligations in several contexts other than trade—and more generally whether the Appellate Body functions like a court when it interprets WTO texts (especially the TRIPS Agreement) and whether it 'makes law' when performing that function. One argument made in the chapter is that interpreting a legal text often implies 'making law'. Legal texts, including WTO Agreements, leave terms undefined; the definitions they contain are sometimes unclear; and there are missing elements and interstices in the texts.

If one justifies a reluctance to 'making law' by the Appellate Body on the Lotus doctrine and the need to respect the sovereignty of states—by limiting their obligations to concessions they explicitly accepted—then the rise of non-state actors and the host of agreements providing multinational corporations with access to investor-state dispute settlement may be used as counterarguments, this suggesting that the normative insulation of WTO law to other forms of international law need not be as strong as it once was. Why? Because States are increasingly surrendering their sovereignty: they adhere to the WTO 'contract' for the expected systemic benefit of greater trade but also for the purpose of providing

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[49] H Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law* (Oxford: Oxford University Press, 2016) at 183.

[50] See n 44 above.

benefits for third parties, namely corporate actors based in their jurisdiction.[51] A direct consequence of this surrendering of sovereignty in trade agreements is that trade tribunals can then determine the compatibility of their laws and regulations, or the application thereof, with the obligations thus undertaken. A finding of incompatibility may result in damaging trade-based sanctions.

What do we know about the application of non-WTO norms in this context? The Appellate Body has made it very clear that the Vienna Convention applies. Some have interpreted this opening of the door to norms extrinsic to the WTO as capacious. I would be cautious. It is true that the Appellate Body has said that WTO law should not be interpreted in 'clinical isolation' from international law, but in the few cases where the Appellate Body has reached beyond the WTO texts, it has tapped only fundamental precepts of international law, arguably in the nature of *jus cogens*, a very little sliver of which seems relevant in a WTO context (what constitutes *jus cogens* is obviously debatable beyond, say, torture, slavery, and the right to life). Clearly, the application of the interpretive rules of the Vienna Convention is one thing; the application of non-WTO substantive rules is quite another.[52]

The application of the Vienna Convention to the TRIPS Agreement should continue to be seen as a positive vector used by non-state actors and states alike because it contains clear and useful rules to interpret TRIPS, such as looking beyond the text to the context, object and purpose of Article 20 in the case of the Australian cases.[53] Context here includes the trademark section and indeed the entire Agreement (including Article 8), other WTO instruments and 'more'. What is more? In the plain packaging cases, the panel and probably the Appellate Body after it may well draw the lines that define the scope and role of this 'more' as Vienna context.

Be that as it may, I expect a lengthy report in the plain packaging case(s), in part because parties have thrown many different arguments at

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[51] This is akin to the civil law notion of *stipulation pour autrui*. I will leave that discussion for another context.

[52] See G Marceau, 'WTO Dispute Settlement and Human Rights' (2002) 13 European Journal of Int'l Law 4.

[53] Vienna Convention on the Law of Treaties (VCLT) of 23 May 1969, Articles 31–32. As to its application to WTO Agreements, see Appellate Body Report, *United States—Continued Existence and Application of Zeroing Methodology*, ¶ 269, WT/DS350/AB/R (4 February 2009); and Appellate Body Report, *European Communities – Customs Classification of Frozen Boneless Chicken Cuts*, ¶ 238–239, WT/DS269/AB/R, WT/DS286/AB/R (12 September 2005).

the panel, including some they likely know are very unlikely to be retained, including some strange splitting of the functions of trademarks raised by Australia. *C'est de bonne guerre.* I expect the panel will find a way to tackle the interface issue between trademark law (or IP law more generally) and public health. The matter could then reach the Appellate Body by, say, the spring of 2017.

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APPENDIX TRIPS DISPUTES (JUNE 2016) (BASIC ANALYTICS)

Summary View

- 34 cases in total. Of those:
  - o 3 Appellate Body reports
  - o 7 panel reports (as final)
  - o 5 cases actively pending (heard by same panel)

Detailed View

Appellate Body reports bold and underlined; Panel reports underlined

1. DS28, Japan—Measures Concerning Sound Recordings (Complainant: United States) 9 February 1996. Outcome: mutually agreed solution (MAS).
2. DS36, Pakistan—Patent Protection for Pharmaceutical and Agricultural Chemical Products (Complainant: United States) 30 April 1996. Outcome: MAS.
3. DS37, Portugal—Patent Protection under the Industrial Property Act (Complainant: United States) 30 April 1996. Outcome: MAS.
4. DS42, Japan—Measures concerning Sound Recordings (Complainant: European Communities) 28 May 1996. Outcome: MAS.
5. DS50, India—Patent Protection for Pharmaceutical and Agricultural Chemical Products (Complainant: United States) 2 July 1996. Outcome: **Appellate Body report 19 December 1997**.
6. DS59, Indonesia—Certain Measures Affecting the Automobile Industry (Complainant: United States) 8 October 1996. Outcome: Panel report 2 July 1998, and arbitration.
7. DS79, India—Patent Protection for Pharmaceutical and Agricultural Chemical Products (Complainant: European Communities) 28 April 1997. Outcome: Panel report 24 August 1998.
8. DS82, Ireland—Measures Affecting the Grant of Copyright and Neighbouring Rights (Complainant: United States) 14 May 1997. Outcome: MAS.
9. DS83, Denmark—Measures Affecting the Enforcement of Intellectual Property Rights (Complainant: United States) 14 May 1997. Outcome: MAS.

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10. DS86, Sweden—Measures Affecting the Enforcement of Intellectual Property Rights (Complainant: United States) 28 May 1997. Outcome: MAS.
11. DS114, Canada—Patent Protection of Pharmaceutical Products (Complainant: European Communities) 19 December 1997. Outcome: Panel report 17 March 2000, and arbitration.
12. DS115, European Communities—Measures Affecting the Grant of Copyright and Neighbouring Rights (Complainant: United States) 6 January 1998. Outcome: MAS.
13. DS124, European Communities—Enforcement of Intellectual Property Rights for Motion Pictures and Television Programs (Complainant: United States) 30 April 1998. Outcome: MAS.
14. DS125, Greece—Enforcement of Intellectual Property Rights for Motion Pictures and Television Programs (Complainant: United States) 4 May 1998. Outcome: MAS.
15. DS153, European Communities—Patent Protection for Pharmaceutical and Agricultural Chemical Products (Complainant: Canada) 2 December 1998. Outcome: request for consultations only (RfC).
16. DS160, United States—Section 110(5) of US Copyright Act (Complainant: European Communities) 26 January 1999. Outcome: Panel report 15 June 2000, and arbitration.
17. DS170, Canada—Term of Patent Protection (Complainant: United States) 6 May 1999, Outcome: **Appellate Body report 18 September 2000**, and arbitration.
18. DS171, Argentina—Patent Protection for Pharmaceuticals and Test Data Protection for Agricultural Chemicals (Complainant: United States) 6 May 1999. Outcome: MAS.
19. DS174, European Communities—Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs (Complainant: United States) 1 June 1999. Outcome: Panel report 15 March 2005.
20. DS176, United States—Section 211 Omnibus Appropriations Act of 1998 (Complainant: European Communities) 8 July 1999. Outcome: **Appellate Body report 2 January 2002**.
21. DS186, United States—Section 337 of the Tariff Act of 1930 and Amendments thereto (Complainant: European Communities) 12 January 2000. Outcome: RfC.
22. DS196, Argentina—Certain Measures on the Protection of Patents and Test Data (Complainant: United States) 30 May 2000. Outcome: MAS.
23. DS199, Brazil—Measures Affecting Patent Protection (Complainant: United States) 30 May 2000. Outcome: MAS.

24. DS224, United States—US Patents Code (Complainant: Brazil) 31 January 2001. Outcome: RfC.
25. DS290, European Communities—Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs (Complainant: Australia) 17 April 2003. Outcome: Panel report 15 March 2005.
26. DS362, China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights (Complainant: United States) 10 April 2007. Outcome: Panel report 26 January 2009.
27. DS372, China—Measures Affecting Financial Information Services and Foreign Financial Information Suppliers (Complainant: European Communities) 3 March 2008. Outcome: RfC.
28. DS408 European Union and a Member State—Seizure of Generic Drugs in Transit (Complainant: India) 11 May 2010. Outcome: RfC.
29. DS409, European Union and a Member State—Seizure of Generic Drugs in Transit (Complainant: Brazil) 12 May 2010. Outcome: RfC.
30. DS434, Australia—Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (Complainant: Ukraine) 13 March 2012. Outcome: Panel composed 5 May 2014.
31. DS435, Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (Complainant: Honduras) 4 April 2012. Outcome: Panel composed 5 May 2014.
32. DS441, Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (Complainant: Dominican Republic) 18 July 2012. Outcome: Panel composed 5 May 2014.
33. DS458, Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (Complainant: Cuba) 3 May 2013. Outcome: Panel composed 5 May 2014.
34. DS467, Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (Complainant: Indonesia). Outcome: Panel composed 5 May 2014.

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Intellectual Property and the Judiciary

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Featuring high-level authors from both academia and practice, the book will be of great interest to academic researchers and practicing lawyers who have a focus on intellectual property. It will be of particular value to those who are engaged in the rapidly changing enforcement environment of intellectual property rights.

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